

Snyderville Basin Water Reclamation District

Park City, Utah

Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2005

Prepared by:
Administration Department

Michael D. Luers
General Manager

Debra Jensen-Sparks
Finance Manager

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Introductory Section



SNYDERVILLE BASIN

WATER RECLAMATION DISTRICT

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Letter of Transmittal

June 19, 2006

To the Board of Trustees, Ratepayers,
and Interested Parties:

The Comprehensive Annual Financial Report (CAFR) of the Snyderville Basin Water Reclamation District (the District) for the year ended December 31, 2005, is submitted herewith. State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including all disclosures, rests with the District management. We believe that the data presented is accurate in all material respects; that the report is presented in a manner designed to fairly set forth the results of operations of the District; that the report fairly presents the financial position of the District; and that all disclosures necessary to enable the reader to gain a maximum understanding of the District's financial activities have been included.

The Snyderville Basin Water Reclamation District's financial statements have been audited by Osborne, Robbins and Buhler, P.L.L.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Snyderville Basin Water Reclamation District's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

This CAFR is presented in four main sections:

1. **Introductory Section** includes this transmittal

letter and provides general information about the District and history of operation, as well as other information on the contents of the report, the organizational structure and the financial operations of the District.

2. **Financial Section** includes the certified public accountant's report, Management's Discussion and Analysis, the basic financial statements, notes thereto, other required supplementary information, as well as a schedule of revenues and other sources and expenditures and other uses budget (non-GAAP basis) and actual.
3. **Statistical Section** contains additional unaudited financial and general information generally presented on a multi year basis.
4. **Compliance and Internal Control Section** includes the independent auditor's reports on compliance and internal control and state legal compliance.

Reporting Entity

History

The reporting entity serves as the basis in preparing the CAFR.

The Snyderville Basin Water Reclamation District, Summit County, Utah, operates under Utah Code Annotated (UCA), Title 17A. Originally created by the Summit County Board of Commissioners, December 5, 1973, as the Snyderville Basin Sewer Improvement District, the District changed its name in 2001, to more accurately reflect the focus and objectives of its operations. The District provides the wastewater collection and treatment services to western Summit County (Snyderville Basin) which includes Park City. To accomplish this purpose, the District has been upgrading and expanding its infrastructure every few years to ensure that these assets are maintained in proper working order and that they comply with all state and federal regulations. The District encompasses approximately 102 square miles with a pipeline system comprised of approximately 243 miles of pipeline, and operates and maintains two reclamation facilities, ten pump stations, operations buildings, and an administrative office building. The principal place of business and office of the District is in the administrative office building at 2800 Homestead Road, Park City, Summit County, Utah, which building is known and designated as the "District Office."

The Board of Trustees is made up of four elected members from the general populace of the District and one member appointed by the Park City Municipal Corporation. The District is not a component unit of any other government.

The regular meetings of the Board of Trustees of the District are generally held on the third Monday of each month at 5:00 p.m. at the District office. The schedule of these meetings can be found on our website at www.sbwrdr.org.

Mission Statement and Guiding Principals

Our Mission:

The Snyderville Basin Water Reclamation District is committed to protect public health and the environment by developing, integrating, and implementing fiscally responsible solutions to wastewater, water reclamation and watershed protection issues.

Our Guiding Principals:

1. Provide, through proper planning, the capacity to meet current and future demand for wastewater services.
2. Provide for the proper maintenance and replacement of the District's infrastructure assets.
3. Provide professional and timely response to customer inquiries and service needs.
4. Operate with the goal of protecting and enhancing the ecological integrity of the watersheds within the District's boundaries.
5. Cooperate with all governmental and private entities that participate in the protection of local watersheds.
6. Maintain user fees at levels that fully cover the costs of operating and maintaining the system and maintain impact fees at levels that fully cover the capital costs of providing service to newly serviced areas.
7. Recognize that the most valuable asset of the District is its employees.
8. Promote and encourage the reclamation and reuse of wastewater.

Economic Outlook

The Snyderville Basin is located approximately 30 miles east of Salt Lake City, in the Wasatch Mountains, directly along Interstate 80. The District was created in the early 1970's because of a need to adequately serve the western Summit County and Park City area with wastewater services. Because of the rapid growth in the area since 1980, the District has frequently reviewed its planning projections and updated its planning documents. These planning reports have demonstrated the need and timing for construction of reclamation facility expansions and upgrades, solids management facilities, and numerous wastewater collection system improvements.

The District's *Capital Facilities Plan* was updated in 2005 in accordance with the Utah Impact Fees Act to ensure the

District's long standing Capital Facilities Plan remains in compliance with Utah State Law. No increase in impact fees was required as a result of this update.

To meet the District's long-term treatment capacity needs, the District Board of Trustees adopted policies and objectives to maintain a consistent direction for future growth of the District. These include:

Engineering Concerns - Objectives

1. To design the collection system and treatment facilities to minimize maintenance and operational costs.
2. To minimize the amount of main line pumping.
3. To provide the most convenient sewer lines in public right of way whenever possible.
4. To reduce and minimize infiltration and inflow of surface and ground water.

Fiscal Concerns - Objectives

1. To avoid additional bonded indebtedness.
2. To avoid reliance on continued high growth levels for revenue.
3. To avoid expenditure of public funds for the benefit of private interests.
4. To avoid duplication of needed facilities.

Due to changing development conditions, increased environmental concerns, and more stringent discharge requirements, the District has regularly evaluated infrastructure needs including capacity, project costs, and scheduling. The District's *Capital Facilities Plan* addresses in detail the demand for additional facilities and recommends treatment facility, solids management, and wastewater collection system expansions and improvements to meet those demands. In addition, the *Plan* estimates construction schedules for new facilities based upon current growth projections; summarizes financial planning and financing policies; and evaluates the costs of the required improvements for each new customer of the District. The *Plan* also summarizes costs for additional issues such as water reuse and solids handling alternatives. A comprehensive revision of the *Capital Facilities Plan and Impact Fee Analysis* was completed in early 2005. This revision outlines the calculation of each impact fee and key estimating assumptions, decisions, criteria and conclusions for the basis of the fee. It also provides an overview of impact fee administration and outlines the regulatory background governing the imposition of impact fees in Utah. This analysis recommends an impact fee schedule through 2009.

The District uses 320 gallons per day as the definition of a 1.0 Residential Equivalent (R.E.) which is currently used in rate calculations. In view of the logic supporting establishment of rates and fees based upon actual volume, planning documents and rate studies have utilized the R.E. definition in some form. Since wastewater flow is not metered, water usage during the

winter season is used for rate calculations to eliminate water used for outside watering and other miscellaneous water usage that should not be included in wastewater flows.

The collection system currently delivers wastewater to the two reclamation facilities from the East Canyon and Silver Creek watersheds. Currently, the District has the capability of splitting all or any portion of the wastewater collected in Park City above the intersection of Highways 224 (Park Avenue) and 248 (Kearns Boulevard) between the two facilities. Because of this capability, neither of the District's outfall sewers is designed to serve the total flow produced in the drainage basin plus the flow from Park City. However, planning efforts have determined that each of the two outfall sewers should be designed to carry approximately 75 percent of future flows generated above the splitter manhole. Depending on future growth and reclamation facility loadings, the capability to split wastewater flows allows the District greater flexibility than most other wastewater reclamation facilities.

State of Utah regulations require reclamation facility planning and design documents to show historical maximum monthly wastewater flows. For several years the District has recognized that influent flows during the spring may be high due to Infiltration/Inflow (I/I). Similarly, wastewater strength is low due to I/I. However, both volume and strength of wastewater increase sufficiently during the ski season requiring the plants to be designed to treat these high-strength high-volume flows. Therefore, the District uses the maximum 30-day average wastewater influent flow during the ski season for design calculations. Normally, New Years Eve is the single day of maximum flow during the ski season.

Since the early 1990's the area served by the District has experienced tremendous growth, both in primary and secondary residential homes, as well as tourism. Various agencies estimate growth within the Snyderville Basin area based upon permanent population, visitor nights, primary and secondary homes, and increased employment opportunities. The most recent growth projections estimate the District will more than double in size by the year 2030. Because of this growth, the combined treatment facilities will need to have a combined capacity of 9.5 mgd. The *Capital Facility Plan* addresses the need for expansion of the facilities, and cash reserves are being set aside to fund a portion of this effort. The District services three world renowned ski resorts as well as numerous lodging facilities, restaurants and retail establishments.

Summit County is one of 29 counties in Utah, and ranked first in population increase in the 2000 census. It is not part of a Metropolitan Area. In 2005 Summit County experienced the seventh highest rate of growth for counties in the State of Utah. The county has experienced over a 100% percent increase in population from 1990 to 2000, more than doubling in size from 15,518 in 1990 to 36,283 in 2005. In the past several years, Summit County and the Park City area has ranked 1st in the state in per capita personal income.

There was a 3.5 percent increase in the number of residential equivalents (RE's) billed from 2004 to 2005. There has been a 55 percent increase in the number of billed RE's since 1995, when Salt Lake City was chosen to host the 2002 Winter Olympic Games. Three venues within the District boundaries played a major role in the Olympic Games during 2002.

Policies, Procedures and Fees

The Board of Trustees has established requirements for collection system development and construction through adoption of resolutions, policies, procedures, specifications, guidelines, and standards. These documents are available at the District office. Board of Trustee approval is required prior to design and construction of new wastewater facilities intended to become part of the collection system. As part of the approval, developers pay an application fee as well as a fee to the District for design review, construction inspection and general project coordination performed by the District.

It is the policy of the Board of Trustees of the District to charge equitable fees based on the services received and costs created by or attendant to the provision of wastewater service. These fees are uniformly determined and consider the revenue requirements and costs of the District. The fees include, but are not limited to: user fees, impact fees, annexation fees, application fees, engineering fees, legal fees, pretreatment fees, septage disposal fees, and such fees as may be deemed necessary and prudent by the Board of Trustees. The monthly user rates for wastewater service supplied within the boundaries of the District for the year ending December 31, 2005, are as follows:

1. All users are billed based on water usage when possible. In order to avoid inclusion of water used for outside irrigation in the computation and because the reclamation facilities are sized for peak months, the fee for these connections is based on winter water usage. Winter water usage is defined as the average monthly usage for the period of November through March of each year. The average is used to determine the fee for the next 12-month period beginning July 1 and ending June 30. Initial residential user billings are based upon one Residential Equivalent (1 R.E.) being equal to 9,600 gallons of water per month.
2. The monthly user fee is computed by multiplying the number of residential units or the residential equivalents, whichever is greater, times a service charge of \$17.30 per residential unit and/or residential equivalent, plus a volume charge of \$1.63 per 1,000 gallons of winter water usage.
3. User fees are charged beginning with the earlier of either a request for "Authorization to Use," or when the District becomes aware the unit or structure is occupied.

During 2002, the District completed a cost of services study which recommended rate increases through 2007. A rate increase was approved by the Board of Trustees which raises user fees by 3.3 percent through December 31, 2007. This rate study is being reviewed in 2006, at which time additional increases may be necessary.

The District requires impact fees to be paid prior to the issuance of a building permit by the Summit County or Park City Building Department. The impact fee is a charge for reservation of wastewater capacity for residential, commercial, and industrial uses as defined in and expended in accordance with the *Capital Facilities Plan* and *Impact Fees Policy*. For the 2005 fiscal year end, each residential unit was charged:

\$1,763 for one living section
\$3,526 for two living sections
\$5,289 for three living sections
\$7,052 for four living sections
\$8,815 for five living sections
\$10,578 for six living sections, and an additional
1/3 RE (\$1,763) per living section in
excess of six living sections

A living section is defined as a bedroom and/or any space that has reasonable access to a bathroom with bathing facilities and is designed for, can be used for, or can be converted into sleeping space, and which includes a door that can be closed for privacy and a closet. The definition of a living section also includes each 500 square feet of unfinished basement space, excluding stairs, mechanical areas, and areas prohibited from being bedrooms by building codes, which are not otherwise identified for future intended use. In addition, each residential unit and/or residential-equivalent is charged a one-time administrative fee equal to 1 percent of the impact fee, with a minimum of \$100.

Approval to design and construct new facilities intended to become part of the public collection system proposed to be connected to the existing wastewater collection and treatment system must be obtained from the Board of Trustees by acceptance of a *Line Extension Agreement*. An applicant must also deposit with the District an engineering services fee of \$750. An additional amount equal to 6 percent of the estimated value of the cost of construction of the proposed collection system improvements are also paid to the District to cover costs incurred relating to system design review, general project coordination and construction inspection of the proposed collection system improvements.

Major Initiatives

During the 2005 fiscal year, the District continued to upgrade and replace existing sewers in historic Park City. In 2003 the District completed construction of the state's first reclamation facility to chemically remove phosphorus. This was incorporated in the East Canyon Water Reclamation Facility, which has biological phosphorus removal. The system removes phosphorus from the effluent discharge down to approximately 0.1 parts per million. In 2005, construction of the East Canyon Relief Trunkline Project was started to replace the existing trunkline which is nearing its design capacity. This \$13.4 million project is scheduled to be completed in the spring of 2006.

The District treatment staff conducted over twenty plant tours for school groups, neighbors, and wastewater professionals during 2005. Both reclamation facilities are classified as Grade IV facilities by the State of Utah.

The District wastewater collection system is classified as a Grade III facility (serving a population of 15,001-50,000) by the State of Utah Department of Environmental Quality. State law requires system operators who make process/operational decisions for the system, to be certified at the level of the facility classification. The District wastewater system operators and supervisors are properly certified and receive appropriate training to maintain compliance with state law. System operators also receive training and certification in other areas specific to their work (i.e., Utah Department of Transportation sign placement, flagging, traffic control and safety).

As of 2005 year end, the District maintained a total of 243 miles of publicly owned sanitary sewer lines (8 to 42 inches in diameter), 6,059 manholes, plus ten small to medium sized pump stations. The operation and maintenance of the wastewater collection system is assigned to a department manager with a full time staff of nine personnel.

Fifty-five miles (23%) of the collection system was cleaned or flushed in 2005. There were no mainline stoppages during the 2005 calendar year. The annual goal of the District is to have no stoppages in the collection system. We believe this goal can be achieved due to an ongoing preventative maintenance program and because the District maintains an engineering group consisting of professional staff which follows stringent policies and procedures for design, design review and construction. Increased effort in design, design review, and construction inspection helps minimize operational problems. The District also uses television inspections of the wastewater collection system from time to time to verify its condition. In 2005, 35 miles of the collection system was T.V. inspected. In 2005, the increase in miles of public wastewater lines was approximately 2.1 percent.

As part of a state approved Industrial Pretreatment Program staff identifies, locates and "permits" certain non-residential users of District wastewater facilities. These users are, or may be subject to, District imposed user discharge requirements established to protect the wastewater collection system, reclamation facilities, and system operators from harmful discharges. As reported to the EPA Region 8 and the State of Utah Department of Water Quality, in 2005, approximately 146 class IV industries were identified and a number of them inspected for compliance. In addition, one categorical industry and two significant users were inspected to verify compliance. Two informal actions were taken place during this period.

Financial Information

Internal Controls

In evaluating the District's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are in place to provide District management with reasonable assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of the

financial records for preparing financial statements and for maintaining accountability and control over the District's assets. These procedures are deemed adequate to provide a reasonable assurance against misappropriation or other unauthorized use of District assets.

Budgetary Controls

Annually, appropriation procedures are established to record the current year's fiscal requirements for each department in the District. The District chart of accounts is used to preserve a distinction between departments. It is designed to provide a uniform and orderly list from which each department can select accounts applicable to its own needs. Managers in each department play an active and important role in controlling the budget. A tentative budget, which shows actual revenues and expenditures for the last completed fiscal year, estimated total revenues and expenditures for the current year, and estimates for the next year, is adopted on or before the first regularly scheduled Board of Trustees meeting in November. A public hearing is scheduled for the December meeting, at which time the final budget is adopted by the Board of Trustees, by resolution, and is in effect for the ensuing budget year.

Cash Management

The District's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. During 2005 the District invested its idle funds with the State of Utah, Public Treasurers Investment Fund. All cash is pooled in order to obtain the best interest rates and to insure that all temporarily idle cash is invested. State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. District funds are invested as required by State law. The District saw an average rate of return of 3.2 percent on investments during 2005.

Risk Management

The District carries liability insurance through an outside agency to cover commercial property; commercial equipment and vehicles; commercial boiler and machinery; public entity liability; and commercial crime. In addition, a public treasurer's bond is in force. The District actively implements various risk control and safety training techniques for District employees, along with independent potential risk evaluations from an outside safety engineer. In 2005, the District staff had no lost work time due to injuries.

Retirement Plan

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Non-contributory Retirement System cost-sharing defined benefit pension plans administered by the Utah Retirement System(s). Utah Retirement Systems provide retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

Plan members are required to contribute a percent of their covered salary to the respective systems to which they belong. Currently all contributions are funded by the District. In addition to the required 11.09 percent established by the State for 2005, the District contributes 3 percent of the members salary into a deferred compensation plan. The District will also match up to an additional 3 percent contribution by an employee. Neither the District or its employees contribute to social security.

Other Information

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Snyderville Basin Water Reclamation District for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Employees of the District captured two coveted statewide awards for excellence in the Water Environment Association of Utah. The District was awarded the sole 2005 Outstanding Collection System for facilities under five mgd (million gallons per day). The District's Engineer was inducted into the WEAU Select Society for outstanding support to the WEAU.

The District's Operator's Challenge Team won two events at the 2006 Challenge Competition; the Laboratory and Process events. The team placed 2nd overall among six teams.

Acknowledgments:

The preparation of this report on a timely basis was made possible through the efficient and dedicated services of the management and staff of the District. We would like to express our appreciation to Osborne, Robbins and Buhler, P.L.L.C., Certified Public Accountants, for their guidance. We would like to thank the Board of Trustees for their interest and support in planning and conducting the financial operation of the District in a responsible and progressive manner.

Respectfully submitted,



Michael D. Luers, General Manager
Treasurer



Debra Jensen-Sparks, Finance Manager
Clerk

Board of Trustees

Snyderville Basin Water Reclamation District, Utah

**2800 Homestead Road
Park City, Utah 84098**

**Board of Trustees
as of December 31, 2005**

Jan Wilking, Chair

Board member since the creation of the District in 1973
Term expires December 31, 2009
Elected as a Park City representative for the District

Bill Brown, Vice Chair

Board member since 2000
Term expires December 2007
Elected as a Park City representative for the District

Jerry Gibbs

Board member since 2001
Term expires December 2009
Appointed by the Park City Council

Mary Ann Pack

Board member since 1998
Term expires December 2009
Elected as a Summit County representative for the District

Doug Rosecrans

Board member since 2000
Term expires December 2007
Elected as a Summit County representative for the District

Management

Management

Michael D. Luers
General Manager - Treasurer

Managers

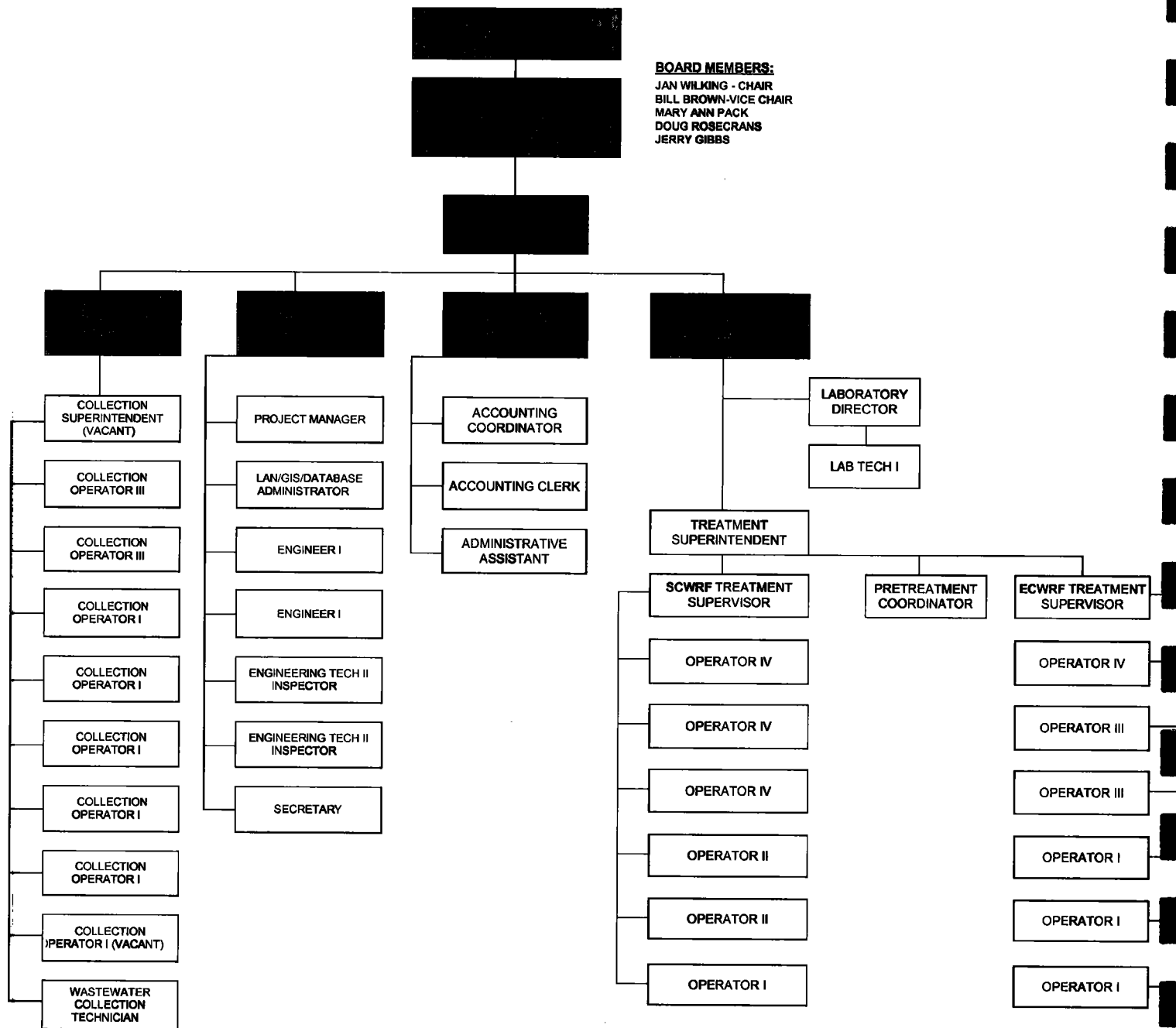
Michael Boyle
Operations Manager

Roger Robinson
Collection System Manager

Debra Jensen-Sparks
Finance Manager - Clerk

Bryan Atwood
District Engineer

District Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Snyderville Basin Water
Reclamation District, Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Carla E. Perry

President

Jeffrey R. Egan

Executive Director

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Financial Section

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Snyderville Basin Water Reclamation District

We have audited the accompanying financial statements of Snyderville Basin Water Reclamation District (the District) as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Snyderville Basin Water Reclamation District as of December 31, 2005 and 2004, and the changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Modified Approach for Eligible Infrastructure Assets on pages 3 through 10 and 29 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The introductory section, other supplemental financial information and statistical tables, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental financial information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Osborne Robbins & Buhler PLLC

April 5, 2006

This section of the District's comprehensive annual financial report presents our analysis of the District's financial performance during the fiscal years that ended on December 31, 2005 and December 31, 2004, with comparative totals for December 31, 2003. Please read it in conjunction with the transmittal letter on page "I" and the financial statements which follow this section.

Comparative data presented in this analysis is related to changes occurring between 2004 and 2005.

- The District's net assets increased by \$8,509,576 as compared to the \$8,813,497 increase in 2004 (and \$6,060,367 in 2003). The majority of this increase (\$1,497,040 in 2005 and \$4,178,127 in 2004) is attributed to the addition of sewer lines to the collection system and additional impact fee revenue. Impact Fees increased from \$3,749,435 in 2004 to \$5,569,334 in 2005.
- Operating revenues experienced an increase of 12% from \$5,347,866 in 2004 to \$5,997,997 in 2005 (and an increase of 2% from 2003 to 2004), and operating expenses increased by 7.3%, or \$340,721 from 2004 to 2005 (and increased by 4.1% from 2003 to 2004). The 2005 increase in operating expenses was attributable primarily to increases in utilities, natural gas and vehicle fuel which increased by 35% (\$104,633) and repairs and maintenance, which increased by \$83,105 (27%).
- The District's total long-term obligations decreased during 2005 by a net of \$698,010 (and decreased from 2003 to 2004 by a net of \$673,778). This is attributable to the net effect of the normal reduction in principal balances from required debt service payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows and the Notes to the Financial Statements. This report also contains additional required supplementary information on infrastructure assets and other supplementary information in addition to the basic financial statements themselves.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the years presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The *Statement of Cash Flows* presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

To begin our analysis, a summary of the District's Statement of Net Assets is presented in Table A-1.

As noted earlier, net assets may serve, over time, as a useful indicator of the District's financial position. At the close of 2005, the District's assets exceed liabilities by \$88,303,905.

By far, the largest portion of the District's net assets (89 percent in 2005 and 81 percent in 2004) reflects its investment in capital assets (e.g., land, buildings, wastewater reclamation facilities, solids handling and other improvements, and equipment), less related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the customers of the District; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (8 percent in 2005 and 16 percent in 2004) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,545,728 in 2005 and \$2,377,443 in 2004) may be used to meet the District's ongoing obligations to customers and creditors.

In 2005 there was a decrease of \$5,397,527 in the District's restricted net assets. This resulted primarily due to the use of unrestricted net assets for capital asset acquisitions and reduction of long-term obligations. In 2005 there was a slight increase in unrestricted net assets of \$168,285.

TABLE A-1
Condensed Statement of Net Assets

	FY 2005	FY 2004	Dollar Change	Percent Change
Current and Other Assets	\$ 3,719,718	\$ 2,961,988	\$ 757,730	26%
Restricted Assets	8,568,802	13,330,192	(4,761,390)	(36)%
Capital Assets	84,222,614	71,184,979	13,037,635	18%
Total Assets	96,511,134	87,477,159	9,033,975	10%
Other Liabilities	3,250,475	1,847,292	1,403,183	76%
Long Term Obligations	4,956,754	5,835,538	(878,784)	(15)%
Total Liabilities	8,207,229	7,682,830	524,399	7%
Net Assets Invested in capital assets, net of related debt	78,395,626	64,656,808	13,738,818	21%
Net Assets Restricted for debt service	1,914,083	1,654,596	259,487	16%
Net Assets Restricted for capital improvements	5,448,468	11,105,482	(5,657,014)	(51)%
Net Assets Unrestricted	2,545,728	2,377,443	168,285	7%
Total Net Assets	88,303,905	79,794,329	8,509,576	11%
Total Liabilities and Net Assets	\$ 96,511,134	\$ 87,477,159	\$ 9,033,975	10%

TABLE A-1 (continued)

	FY 2004	FY 2003	Dollar Change	Percent Change
Current and Other Assets	\$ 2,961,988	\$ 3,823,621	\$ (861,633)	(23)%
Restricted Assets	13,330,192	9,983,928	3,346,264	34%
Capital Assets	71,184,979	65,436,690	5,748,289	9%
Total Assets	87,477,159	79,244,239	8,232,920	10%
Other Liabilities	1,847,292	1,728,180	119,112	7%
Long Term Obligations	5,835,538	6,535,227	(699,689)	(11)%
Total Liabilities	7,682,830	8,263,407	(580,577)	(7)%
Net Assets Invested in capital assets, net of related debt	64,656,808	58,216,544	6,440,264	11%
Net Assets Restricted for debt service	1,654,596	1,596,857	57,739	4%
Net Assets Restricted for capital improvements	11,105,482	7,923,954	3,181,528	40%
Net Assets Unrestricted	2,377,443	3,243,477	(866,034)	(27)%
Total Net Assets	79,794,329	70,980,832	8,813,497	12%
Total Liabilities and Net Assets	\$ 87,477,159	\$ 79,244,239	\$ 8,232,920	10%

As can be seen from the table above, total assets increased \$9 million to \$96.5 million in 2005, up from \$87.4 million in 2004 (and increased 10% from 2003 to 2004).

In 2005, the District's operating revenues increased by 12% (see Table A-2), from \$5,347,866 in 2004 to \$5,997,997 in 2005, compared to a 2% increase in 2004. Non-operating revenues increased by \$2,049,008 in 2005. Total operating expenses increased by \$340,721 from \$4,680,867 in 2004 to \$5,021,588 in 2005, and increased by \$186,032 from 2003 to 2004. Key factors driving these results include:

- Operating revenue associated with user fees showed an increase due to a 3.3% rate increase implemented at the first of the year, and an increase in building activity during the year, as shown by the increase in engineering fees. Nonoperating revenue increased due to an increase in impact fees and the investment income associated with that revenue.
- Operating expenses increased primarily with regards to increased utility and fuel costs and an increase in repairs and maintenance to the collection system.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. A cost of services study was performed in 2002, which resulted in the Board of Trustees approving user fee rate increases in the amount of 3.3% per year through 2007. The District saw a 4 percent increase in its customer base during the year. The average number of sold residential equivalents (RE's) in the District since 1995 has been 718 per year. The number of sold RE's for 2005 was higher than the average at 1,033. The philosophy of the Board of Trustees of the District has always been for new development to pay its own way. The District projects growth to be approximately 3% over the next several years, and then slowing to 2% through 2016. Summit County has been one of the fastest growing counties in the State for the past several years. Because of this, impact fees and the investment income derived from these fees, have been the major source of revenue for capacity expansion. This should continue, albeit at a slower rate, as outlined in the 2005 *Impact Fee Analysis and New Development Capital Facilities Plan*. Investment income increased 89% over 2004, primarily due to the rise in interest rates. The District saw an average rate of return on investments decrease from 6.5 percent at the beginning of 2001 to 3.2 percent at the end of 2005. The average rate of return for both 2003 and 2004 was 1.7%.

Snyderville Basin Water Reclamation District
Management's Discussion and Analysis
December 31, 2005 and 2004

TABLE A-2
Revenues, Expenses Changes in Net Assets

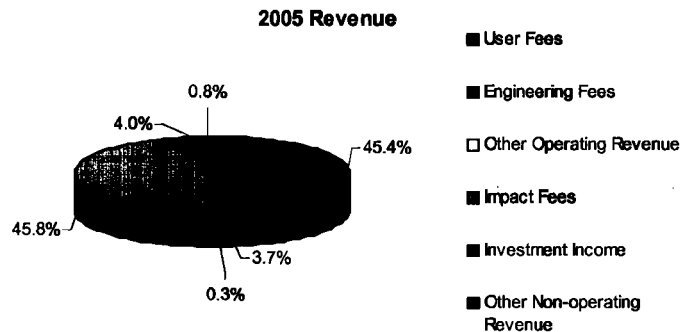
	Fiscal Year 2005	Fiscal Year 2004	Dollar Change	Percent Change
Operating Revenues				
User Fees	\$ 5,514,927	\$ 5,188,123	\$ 326,804	6%
Engineering Fees	449,905	131,438	318,467	242%
Other Operating Revenue	33,165	28,305	4,860	17%
Total Operating Revenues	5,997,997	5,347,866	650,131	12%
Nonoperating revenues				
Impact Fees	5,569,334	3,749,435	1,819,899	49%
Investment Income	480,541	254,033	226,508	89%
Other Non-Operating Revenue	102,965	102,965	0	0%
Gain (loss) on disposal of property	2,563	(38)	2,601	-
Total Nonoperating Revenues	6,155,403	4,106,395	2,049,008	50%
Total Revenue	\$ 12,153,400	\$ 9,454,261	\$ 2,699,139	29%
Operating Expenses				
Wages and benefits	3,092,602	3,014,637	77,965	3%
Supplies	429,908	396,254	33,654	8%
Contractual services	138,667	128,022	10,645	8%
Utilities	402,023	297,390	104,633	35%
Repairs and maintenance	388,571	305,466	83,105	27%
Administration	200,897	175,524	25,373	14%
Miscellaneous	54,148	46,902	7,246	15%
Dep'n and amortization	314,772	316,671	(1,899)	(1)%
Total Operating Expenses	5,021,588	4,680,867	340,721	7%
Nonoperating expenses				
Interest expense	119,276	138,024	(18,748)	(14)%
Total Nonoperating expenses	119,276	138,024	(18,748)	
Total Expenses	\$ 5,140,864	\$ 4,818,891	\$ 321,973	7%
Income before contributions and extraordinary items	<u>7,012,536</u>	<u>4,635,370</u>		
Contributions	<u>1,497,040</u>	<u>4,178,127</u>		
Increase in net assets	8,509,576	8,813,497		
Net assets at beginning of year	<u>79,794,329</u>	<u>70,980,832</u>		
Net assets at end of year	<u>\$ 88,303,905</u>	<u>\$ 79,794,329</u>		

	Fiscal Year 2004	Fiscal Year 2003	Dollar Change	Percent Change
Operating Revenues				
User Fees	\$ 5,188,123	\$ 5,083,459	\$ 104,664	6%
Engineering Fees	131,438	128,155	3,283	3%
Other Operating Revenue	28,305	31,761	(3,456)	(11)%
Total Operating Revenues	5,347,866	5,243,375	104,491	2%
Nonoperating revenues				
Impact Fees	3,749,435	3,285,416	464,019	14%
Investment Income	254,033	207,205	46,828	23%
Other Non-Operating Revenue	102,965	102,965	0	0%
Gain (loss) on disposal of property	(38)	(105,694)	105,656	(100)%
Total Nonoperating Revenues	4,106,395	3,489,892	616,503	18%
Total Revenue	\$ 9,454,261	\$ 8,733,267	\$ 720,994	8%

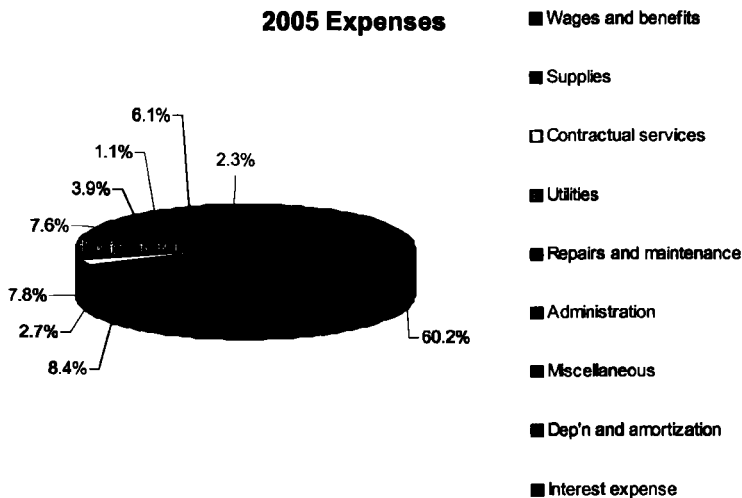
Snyderville Basin Water Reclamation District
Management's Discussion and Analysis
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Operating Expenses				
Wages and benefits	3,014,637	2,798,954	215,683	8%
Supplies	396,254	517,813	(121,559)	(23)%
Contractual services	128,022	169,547	(41,525)	(24)%
Utilities	297,390	236,624	60,766	26%
Repairs and maintenance	305,466	167,480	137,986	82%
Administration	175,524	148,183	27,341	18%
Miscellaneous	46,902	49,110	(2,208)	-4%
Dep'n and amortization	316,671	407,124	(90,453)	(22)%
Total Operating Expenses	4,680,867	4,494,835	186,032	4%
Nonoperating expenses				
Interest expense	138,024	137,321	703	1%
Total Nonoperating expenses	138,024	\$ 137,321	\$ 703	
Total Expenses	\$ 4,818,891	\$ 4,357,514		
Income before contributions and extraordinary items				
	4,635,370	4,101,111		
Contributions	4,178,127	1,959,256		
Increase in net assets	8,813,497	6,060,367		
Net assets at beginning of year	70,980,832	64,920,465		
Net assets at end of year	\$ 79,794,329	\$ 70,980,832		

2005 Revenue by Source
 User Fees 45.4%
 Engineering Fees 3.7%
 Other Operating Revenue .3%
 Impact Fees 45.8%
 Investment Income 4.0%
 Other Non-operating Revenue .8%



2005 Expenses

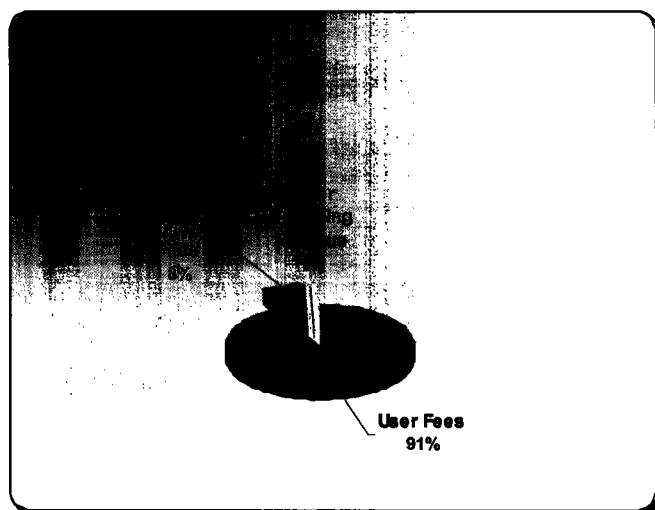


2005 Operating Expenses by Source

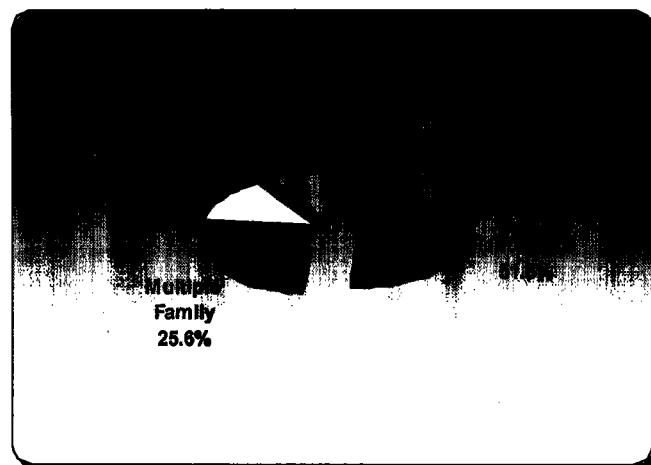
Wages and benefits 60.2
 Supplies 8.4
 Contractual services 2.7%
 Utilities 7.8%
 Repairs and maintenance 7.6%
 Administration 3.9%
 Miscellaneous 1.1%
 Dep'n & Amortization 6.1
 Interest Expense 2.3%

Snyderville Basin Water Reclamation District
Management's Discussion and Analysis
December 31, 2005 and 2004

Operating Revenue



User Fee Revenue by Customer Class



Capital Assets and Debt Administration

At the end of 2005 there was \$104.8 million invested in a range of capital assets including land, buildings, water reclamation facilities, solids handling and other improvements, collection systems and equipment, as shown in Table A-3. This represents a net increase of 14 percent over 2004, and a 7 percent increase from 2003 to 2004.

TABLE A-3
Property and Equipment at Cost

	FY 2005	FY 2004	Dollar Change
Land	\$ 717,185	\$ 717,185	\$ -
Buildings	1,890,956	1,882,690	8,266
Water Reclamation Facilities	37,389,718	37,203,762	185,956
Solids Handling & Other Improvements	2,939,335	2,846,672	92,663
Collection System	48,135,770	46,638,731	1,497,039
Machinery & Equipment	1,830,714	1,677,235	153,479
Construction in Progress	11,867,808	548,193	11,319,615
Subtotal	\$ 104,771,486	\$ 91,514,468	\$ 13,257,018

	FY 2004	FY 2003	Dollar Change
Land	\$ 717,185	\$ 717,185	\$ -
Buildings	1,882,690	1,882,690	-
Water Reclamation Facilities	37,203,762	36,951,570	252,192
Solids Handling & Other Improvements	2,846,672	2,807,144	39,528
Collection System	46,638,731	41,476,647	5,162,084
Machinery & Equipment	1,677,235	1,830,949	(153,714)
Construction in Progress	548,193	-	548,193
Subtotal	\$ 91,514,468	\$ 85,666,185	\$ 5,848,283

Snyderville Basin Water Reclamation District
Management's Discussion and Analysis
December 31, 2005 and 2004

In response to population growth and more stringent discharge permit limitations, in 2003 the District completed the three year expansion and upgrade of the East Canyon Water Reclamation Facility (ECWRF). The upgrade included the addition of a chemical phosphorus removal process. Since the upgrade was completed, environmental conditions have changed that may result in more stringent discharge limitations. To address these concerns, during 2004 and 2005, approximately \$250,000 was spent on phosphorus optimization and improvements. Also during the year, construction of the \$13.4 million East Canyon Relief Trunkline Project was started to replace the existing trunkline which is nearing its design capacity. This project is scheduled to be completed in early 2006. The District continued to upgrade and replace existing sewers in Old Town Park City. These projects totaled \$300,000 in 2005.

This year's 2005 capital asset additions included:

- East Canyon Relief Trunkline Phase II and Reuse Line \$11,224,645
- Developer contributions of sewer lines \$1,497,040
- Vehicles and equipment \$223,001
- Other improvements \$312,332

Additional information on the District's capital assets can be found in Note E on page 23-24 of this report.

Modified Approach to Accounting for Infrastructure

Starting January 1, 2003, the District elected to use the *Modified Approach* to account for its collection and reclamation systems as defined by GASB Statement No. 34. The District manages these systems using GBA software management. The District's Asset Management Plan (AMP) defines a condition rating scale between 1 and 5, with 1 being very good and 5 being very poor. The target levels of service are a rating between 1 and 3. The reclamation facilities were assessed, and no deficiencies were found below the target level. Actual levels of service, for the statistical sample of the collection system in 2005 (216 line segments), were within target levels. One line segment was found to not meet the standards established by the District, and funds have been set aside in 2006 to upgrade this line segment. All of the 10 pump stations were at or above the minimum service level. Funds totaling \$450,000 have been budgeted in 2006 to upgrade the identified and as yet to be identified deficiencies in the collection system. In preparation for using this approach, since 2001, the District has budgeted funds for the purpose of replacement and renewal of deficiencies found during the assessment. Additional amounts will be set aside each year to fund unidentified deficiencies. More information about the modified approach can be found in the required supplementary information on pages 29 through 30 of this report.

Long Term Debt

At year-end, the District had \$6,000,277 in long term obligations outstanding (a decrease of 10 percent over 2004) as shown in Table A-4. No new debt was issued during the year.

TABLE A-4
Bonds (Outstanding at Year End)

	FY 2005	FY 2004	Dollar Change	Percent Change
Compensated Absences	\$ 173,289	\$ 170,116	\$ 3,173	2%
1994 Revenue Bonds	1,250,000	1,375,000	(125,000)	(9)%
2000 Revenue Bonds	2,542,371	2,940,370	(397,999)	(14)%
2003 Revenue Bonds	2,034,617	2,212,801	(178,184)	(8)%
	<u>\$ 6,000,277</u>	<u>\$ 6,698,287</u>	<u>\$ (698,010)</u>	<u>(10)%</u>

Snyderville Basin Water Reclamation District
Management's Discussion and Analysis
December 31, 2005 and 2004

	FY 2004	FY 2003	Dollar Change	Percent Change
Compensated Absences	\$ 170,116	\$ 151,919	\$ 18,197	12%
1994 Revenue Bonds	1,375,000	1,500,000	(125,000)	(8)%
2000 Revenue Bonds	2,940,370	3,330,371	(390,001)	(12)%
2003 Revenue Bonds	2,212,801	2,389,775	(176,974)	7%
	<u>\$ 6,698,287</u>	<u>\$ 7,372,065</u>	<u>\$ (673,778)</u>	<u>(9)%</u>

Bond Rating

The 1994, 2000 and 2003 Revenue Bonds are privately placed state loans, where no bond rating was required or sought

As of December 31, 2005, the District had long-term obligations outstanding related to compensated absences due to employees of \$173,289 (\$170,116 in 2004).

Additional information on the District's Long-term Debt can be found in Note F on page 25-26 of this report.

Economic Factors

- Currently, the operating costs of the District are being covered by existing user fees. A cost of services study performed in 2002, which has been adopted by the Board of Trustees, recommended rate increases through 2007. This study is being updated in 2006.
- Summit County experienced robust economic activity during 2005. Of particular note was the strong construction industry, stimulated by low interest rates. Summit County building permits for single-family homes increased by 37.8% during 2005. Construction of multi-family housing surged in 2005, increasing by 59.5% over 2004 (Source: Utah Department of Workforce Services).
- Because of the high growth numbers in the Snyderville Basin, the District has been reviewing the design capacity of the two reclamation facilities that serve our customers. Preliminary information shows that both facilities will need to be upgraded with additional capacity within the next four years. The Silver Creek facility will also need to be upgraded to handle additional discharge restrictions imposed by permit regulations.

Contacting The District's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Finance Manager at 2800 Homestead Road, Park City, Utah 84098, by phone at (435) 649-7993, extension 226, or e-mail at djsparks@sbwrd.org.

BASIC FINANCIAL STATEMENTS

Snyderville Basin Water Reclamation District
Statements of Net Assets
December 31,

	ASSETS	
	Business-type Activities	
	2005	2004
CURRENT ASSETS		
Cash and cash equivalents (Note B)	\$ 3,243,944	\$ 2,463,832
Accounts receivable, net of allowance for doubtful accounts of \$9,000 in 2005 and 2004	206,461	210,608
Inventory of supplies	115,039	121,584
Prepaid expenses	44,565	46,376
Current portion, restricted cash and cash equivalents (Notes B and D)	1,613,340	812,901
Total current assets	5,223,349	3,655,301
 NONCURRENT ASSETS		
Restricted cash and cash equivalents (Notes B and D)	6,900,327	12,329,002
Restricted impact fee notes receivable (Note E)	55,135	188,289
Nondepreciable capital assets (Note F)	79,991,514	66,988,904
Depreciable capital assets, net (Note F)	4,231,100	4,196,075
Unamortized bond issue costs	59,709	69,588
Other	50,000	50,000
Total noncurrent assets	91,287,785	83,821,858
	<u>\$ 96,511,134</u>	<u>\$ 87,477,159</u>

See accompanying notes to the basic financial statements.

LIABILITIES AND NET ASSETS

	Business-type Activities	
	2005	2004
CURRENT LIABILITIES		
Accounts payable	\$ 254,434	\$ 114,536
Accrued liabilities	228,283	260,580
Accrued interest	65,910	85,024
Customer deposits	936,985	425,502
Current portion, compensated absences	151,523	148,749
Current liabilities payable from restricted assets		
Current maturities of long-term obligations (Note G)	892,000	714,000
Accounts payable	721,340	98,901
Total current liabilities	3,250,475	1,847,292
LONG-TERM OBLIGATIONS, less current maturities (Note G)	4,956,754	5,835,538
Total liabilities	8,207,229	7,682,830
NET ASSETS		
Invested in capital assets, net of related debt	78,395,626	64,656,808
Restricted for:		
Capital projects	5,448,468	11,105,482
Debt service	1,914,083	1,654,596
Unrestricted	2,545,728	2,377,443
Total net assets	88,303,905	79,794,329
	\$ 96,511,134	\$ 87,477,159

Snyderville Basin Water Reclamation District
Statements of Revenues, Expenses and Changes in Net Assets
Year Ended December 31,

	Business-type Activities	
	2005	2004
Operating revenues (pledged as security for revenue bonds)		
Sewer use fees	\$ 5,514,927	\$ 5,188,123
Engineering fees	449,905	131,438
Other operating revenues	33,165	28,305
Total operating revenues	<u>5,997,997</u>	<u>5,347,866</u>
Operating expenses		
Wages and benefits	3,092,602	3,014,637
Supplies	429,908	396,255
Contractual services	138,667	128,022
Utilities	402,023	297,390
Repairs and Maintenance	388,571	305,466
Administration	200,897	175,524
Miscellaneous	54,148	46,902
Depreciation and amortization	314,772	316,671
Total operating expenses	<u>5,021,588</u>	<u>4,680,867</u>
Operating income	<u>976,409</u>	<u>666,999</u>
Nonoperating revenues (expenses)		
Impact fees (pledged as security for revenue bonds)	5,569,334	3,749,435
Investment income	480,541	254,033
Other revenue	102,965	102,965
Interest expense	(119,276)	(138,024)
Gain (loss) on disposal of capital assets	2,563	(38)
Total nonoperating revenues (expenses)	<u>6,036,127</u>	<u>3,968,371</u>
Income before contributions	<u>7,012,536</u>	<u>4,635,370</u>
Capital contributions - assets	<u>1,497,040</u>	<u>4,178,127</u>
Increase in net assets	<u>8,509,576</u>	<u>8,813,497</u>
Net assets at beginning of year	<u>79,794,329</u>	<u>70,980,832</u>
Net assets at end of year	<u>\$ 88,303,905</u>	<u>\$ 79,794,329</u>

See accompanying notes to the basic financial statements.

Snyderville Basin Water Reclamation District
Statements of Cash Flows
Year Ended December 31,

	Business-type Activities	
	2005	2004
Cash flows from operating activities		
Receipts from customers	\$ 5,968,979	\$ 5,326,316
Payments to suppliers of goods and services	(867,232)	(1,405,885)
Payments to employees for services	(3,098,015)	(2,982,658)
Other receipts	647,613	271,841
Net cash provided by operating activities	<u>2,651,345</u>	<u>1,209,614</u>
Cash flows from investing activities		
Interest income collected	480,541	254,033
Payments received on long-term receivables	133,154	50,688
Net cash provided by investing activities	<u>613,695</u>	<u>304,721</u>
Cash flows from capital and related financing activities		
Reduction of long-term obligations	(714,000)	(704,790)
Impact fees collected	5,569,334	3,749,435
Purchase and construction of capital assets	(11,851,969)	(1,878,121)
Proceeds from sale of capital assets	9,045	1,130
Interest payments made on long-term obligations	(125,574)	(134,550)
Net cash provided by (used in) capital and related financing activities	<u>(7,113,164)</u>	<u>1,033,104</u>
Net increase in cash and cash equivalents	(3,848,124)	2,547,439
Cash and cash equivalents at beginning of year	<u>15,605,735</u>	<u>13,058,296</u>
Cash and cash equivalents at end of year	<u>\$ 11,757,611</u>	<u>\$ 15,605,735</u>
Cash and cash equivalents consists of :		
Unrestricted cash and cash equivalents	\$ 3,243,944	\$ 2,463,832
Current portion, restricted cash and cash equivalents	1,613,340	812,901
Noncurrent restricted cash and cash equivalents	6,900,327	12,329,002
	<u>\$ 11,757,611</u>	<u>\$ 15,605,735</u>

Continued

Snyderville Basin Water Reclamation District
Statements of Cash Flows - continued
Year Ended December 31,

	Business-type Activities	
	2005	2004
Reconciliation of operating loss to net cash provided by operating activities		
Operating income	\$ 976,409	\$ 666,999
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	314,772	316,671
Changes in assets and liabilities		
Accounts receivable	4,147	6,755
Inventory of supplies	6,545	(4,490)
Prepaid expenses	1,811	(25)
Accounts payable	139,898	(127,996)
Accrued liabilities	(32,297)	37,104
Long-term portion compensated absences	3,173	18,196
Accounts payable from restricted assets	622,439	52,864
Deposits and other receipts	614,448	243,536
Net cash provided by operating activities	<u>\$ 2,651,345</u>	<u>\$ 1,209,614</u>
Non-cash transactions affecting financial position:		
Contributions of capital assets from developers	\$ 1,497,040	\$ 1,959,256
Acquisition of capital assets through developer contributions	<u>(1,497,040)</u>	<u>(1,959,256)</u>
Net effect of non-cash transactions	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES

Snyderville Basin Water Reclamation District (the District) was established under the laws of the State of Utah in 1973 by resolution of the Board of County Commissioners of Summit County, Utah (the County). The District operates under the direction of an elected Board of Trustees. The purpose of the District is to acquire and operate a system for the collection, treatment, and reclamation of wastewater. The District includes parts of Summit and Wasatch Counties. Park City is within the District's boundaries.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting entity

The County does not impose will or have a financial benefit, burden or dependency relationship with the District and therefore, the District is not considered a component unit of the County. There are no entities that are component units of the District.

Basic Financial Statements and Basis of Accounting

The District is a government entity accounted for as an enterprise fund and categorized as a business-type activity. Operations are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The records of the District are maintained on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses are those related to capital and related financing, noncapital financing, or investing activities.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Budgetary Data

On an annual basis, the District prepares a tentative budget which is adopted on or before the first regularly scheduled meeting of the board of trustees in November. A public hearing is scheduled for the last meeting in November. The final budget is adopted by resolution at the first regularly scheduled board meeting in December.

The budget is adopted on a basis consistent with GAAP with the following exceptions:

- Bond principal retired is budgeted as nonoperating expenditures.
- Depreciation is not budgeted.
- Capital expenditures are budgeted as nonoperating expenditures.
- Proceeds from issuing long-term debt are budgeted as other sources.

Cash and Investments

For purposes of the statements of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Capital assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. The District records its capital assets at cost. Contributed capital assets are valued at their estimated fair market value on the date of contribution. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Maintenance and repairs are charged to current period operating expenses, whereas additions and improvements are capitalized.

Beginning January 1, 2003, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its wastewater collection and treatment system. The District performed a physical condition assessment of this system during 2003. Using this approach, the District capitalizes the cost of its collection and treatment system but does not report depreciation expense for those assets. Instead, the District reports all collection and treatment system expenditures as expenses in the period incurred unless those expenditures improve on the system's original condition or add to its capacity. These additions or improvements are not expensed but added to the historical cost of the assets. The District uses an asset management system to provide an up-to-date inventory of its assets, perform condition assessments on the system at least once every three years, and estimates an annual amount needed to maintain the system at a specified condition level. That asset management system is discussed in

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE A – SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Capital assets - continued

detail in Required Supplementary Information, immediately following these notes.

Depreciation of property and equipment has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	35
Compost facility and improvements	20-35
Machinery and equipment	5-15

Bond issue costs

Bond issue costs are recorded as an asset and amortized over the life of the related bonds. Amortization is computed on the straight-line method, which approximates the effective interest method.

Inventories

Inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the District. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the District.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS

The District's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the District at June 30, 2005 were \$271,362, \$171,362 of which was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing

Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The District's investments at June 30, 2005 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$11,486,249	\$11,486,249	\$ -	\$ -	\$ -

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The District's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The District's rated debt investments are presented below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	<u>\$11,486,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,486,249</u>

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

All of the District's investments at June 30, 2005 were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

All of the District's investments at June 30, 2005 were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE C – EXTERNAL INVESTMENT POOL

The District invests in the Public Treasurer's Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price) and then compare those values to come up with an agreed upon fair value of the securities.

As of December 31, 2005, the District had \$11,486,249 invested in the PTIF which had a fair value of \$11,481,241 for an unrealized loss of \$5,008. Due to the insignificance of this amount, the fair value of the investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	58.18%
Money market agreements and Certificates of deposit	6.33%
Commercial paper	3.51%
U.S. Government securities	31.98%
	<u>100.00%</u>

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE D – RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents have been restricted for the following purposes and amounts as required by the provisions of the District's various bond resolutions:

	<u>2005</u>	<u>2004</u>
Revenue bonds		
Debt service reserve	\$ 911,645	\$ 820,830
Current debt service	1,002,438	833,766
Renewal and replacement reserve	484,911	471,213
Impact fee reserve	<u>6,114,673</u>	<u>11,016,094</u>
	<u>\$ 8,513,667</u>	<u>\$ 13,141,903</u>
Included in the accompanying financial statements as follows:		
Current portion restricted cash and cash equivalents	\$ 1,613,340	\$ 812,901
Noncurrent restricted cash and cash equivalents	<u>6,900,327</u>	<u>12,329,002</u>
	<u>\$ 8,513,667</u>	<u>\$ 13,141,903</u>

NOTE E – IMPACT FEE NOTES RECEIVABLES

Long-term receivables consists of the following:

	<u>2005</u>	<u>2004</u>
Two rental housing projects built in 1995, one of which was expanded during 1996, that are paying their Impact Fees under the Affordable Rental Housing Program. The receivables will be paid in monthly installments of \$4,237 including interest at 6.28% and will be paid in full in 2010.	\$ 46,518	\$ 175,883
Impact Fees due from property owners of a subdivision which connected to the collection system in 2002. The fees will be paid in monthly installments over 5 years, with no interest	8,617	11,651
Impact Fees due from the property owners of a subdivision in which a wastewater system was installed during 1993. The fees will be paid in annual installments over 10 years with interest at 6.26%.	-	755
	<u>\$ 55,135</u>	<u>\$ 188,289</u>

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE F – CAPITAL ASSETS

Capital asset activity is summarized as follows:

	January 1, 2005	Increases	Decreases	December 31, 2005
Nondepreciable capital assets:				
Land	\$ 717,185	\$ -	\$ -	\$ 717,185
Construction in progress	548,193	11,319,615	-	11,867,808
Infrastructure:				
Water reclamation facilities and improvements	37,203,762	185,956	-	37,389,718
Collection system	46,638,731	1,497,039	-	48,135,770
Accumulated depreciation on infrastructure assets prior to January 1, 2003	(18,118,967)	-	-	(18,118,967)
Total nondepreciable capital assets	66,988,904	13,002,610	-	79,991,514
Depreciable capital assets:				
Buildings	1,882,690	14,844	6,578	1,890,956
Solids handling and other improvements	2,846,672	95,473	2,810	2,939,335
Machinery and equipment	1,677,235	236,576	83,097	1,830,714
Total depreciable capital assets at historical cost	6,406,597	346,893	92,485	6,661,005
Less accumulated depreciation for:				
Buildings	539,278	53,909	3,384	589,803
Solids handling and other improvements	647,320	73,098	211	720,207
Machinery and equipment	1,023,924	178,380	82,409	1,119,895
Total accumulated depreciation	2,210,522	305,387	86,004	2,429,905
Depreciable capital assets, net	4,196,075	41,506	6,481	4,231,100
	<u>\$71,184,979</u>	<u>\$13,044,116</u>	<u>\$ 6,481</u>	<u>\$84,222,614</u>

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE F – CAPITAL ASSETS - CONTINUED

	January 1, 2004	Increases	Decreases	December 31, 2004
Nondepreciable capital assets:				
Land	\$ 717,185	\$ -	\$ -	\$ 717,185
Construction in progress	-	548,193	-	548,193
Infrastructure:				
Water reclamation facilities and improvements	36,951,570	252,192	-	37,203,762
Collection system	41,476,647	5,170,190	8,106	46,638,731
Accumulated depreciation on infrastructure assets prior to January 1, 2003	(18,127,073)	-	(8,106)	(18,118,967)
Nondepreciable capital assets	61,018,329	5,970,575	-	66,988,904
Depreciable capital assets:				
Buildings	1,882,690	-	-	1,882,690
Solids handling and other improvements	2,807,144	44,991	5,463	2,846,672
Machinery and equipment	1,830,949	40,682	194,396	1,677,235
Total depreciable capital assets at historical cost	6,520,783	85,673	199,859	6,406,597
Less accumulated depreciation for:				
Buildings	485,487	53,791	-	539,278
Solids handling and other improvements	579,627	73,097	5,404	647,320
Machinery and equipment	1,037,308	179,903	193,287	1,023,924
Total accumulated depreciation	2,102,422	306,791	198,691	2,210,522
Depreciable capital assets, net	4,418,361	(221,118)	(1,168)	4,196,075
	<u>\$65,436,690</u>	<u>\$5,749,457</u>	<u>\$ (1,168)</u>	<u>\$71,184,979</u>

Effective January 1, 2003, the District elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its water reclamation treatment and collection system. As a result, no additional accumulated depreciation or depreciation expense has been recorded for these systems since December 31, 2002. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the "Basic Approach" whereby accumulated depreciation and depreciation expense have been recorded.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE G – LONG-TERM OBLIGATIONS

All long-term obligations other than compensated absences issued by the District have provided funds for the acquisition and construction of major capital facilities.

Long-term obligations consist of the following:

	<u>2005</u>	<u>2004</u>
Compensated absences	\$ 173,289	\$ 170,116
\$2,475,000 sewer revenue refunding bonds due serially through 2010 with interest rates ranging from 1.25% to 3.50%	2,034,617	2,212,801
Non-interest bearing revenues bonds totaling \$2,500,000, due in annual installments of \$125,000 beginning in 1996	1,250,000	1,375,000
\$4,190,000 sewer revenue bonds due serially through 2012 with interest at 2%	<u>2,542,371</u>	<u>2,940,370</u>
	6,000,277	6,698,287
Less current maturities of long-term obligations	<u>1,043,523</u>	<u>862,749</u>
	<u><u>\$ 4,956,754</u></u>	<u><u>\$ 5,835,538</u></u>

All outstanding revenue bonds are secured by a first lien on net revenues earned by the District. Net revenues are defined in the revenue bond agreements. The District is required to establish user fees and rates that will yield net revenues equal to at least 1.25 times revenue bond debt service that will become due in the following fiscal year. Also, net revenues exclusive of Impact Fees are required to equal at least 1.00 times revenue bond debt service that will become due in the following year.

The following is a summary of changes in long-term obligations:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Amounts Due Within One Year
Compensated absences	\$ 170,116	\$156,277	\$153,104	\$ 173,289	\$ 151,523
Revenue bonds payable	6,528,171	-	701,183	5,826,988	892,000
	<u>\$6,698,287</u>	<u>\$156,277</u>	<u>\$854,287</u>	<u>\$6,000,277</u>	<u>\$1,043,523</u>

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE G – LONG-TERM OBLIGATIONS - CONTINUED

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004	Amounts Due Within One Year
Compensated absences	\$ 151,919	\$151,035	\$132,838	\$ 170,116	\$148,749
Revenue bonds payable	7,220,146	-	691,975	6,528,171	714,000
	<u>\$7,372,065</u>	<u>\$151,035</u>	<u>\$824,813</u>	<u>\$6,698,287</u>	<u>\$862,749</u>

The annual debt service requirements to maturity, including principal and interest, for long-term obligations, exclusive of compensated absences as of December 31, 2004, are as follows:

Year Ending December 31,	Principal	Interest	Total Debt service
2006	\$ 892,000	\$ 101,392	\$ 993,392
2007	1,255,000	81,160	1,336,160
2008	1,286,000	55,942	1,341,942
2009	693,000	32,964	725,964
2010	706,209	19,668	725,877
2011-2015	1,054,372	8,382	1,062,754
	<u>5,886,581</u>	<u>299,508</u>	<u>6,186,089</u>
Less unamortized loss on defeasance	(59,593)	-	(59,593)
	<u>\$ 5,826,988</u>	<u>\$ 299,508</u>	<u>\$ 6,126,496</u>

Prior Year Defeasance of Debt

In prior years, certain outstanding bonds were defeased by placing proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At December 31, 2005, the following bonds are considered defeased:

Bond Series	Defeased Balance
1993 Series Sewer Revenue Bonds	\$840,000

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE H - COMPENSATED ABSENCES

Full-time, regular employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Employees can also earn compensatory time for hours worked in excess of normal full-time hours. Non-exempt employees are entitled to all accrued vacation leave and compensatory time upon termination.

Employees also earn sick leave which may be accumulated up to 720 hours. Any accumulation in excess of that limit, is paid out annually at 50 percent of the amount accrued. Employees who retire in good standing may be reimbursed for one-half of accumulated sick leave.

NOTE I - RETIREMENT PLANS

Plan Description - The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. At December 31, 2005 the required contribution was 6.00% to the Local Governmental Contributory Retirement System. Currently, the District pays 3.82% and the employees pay 2.18% of the annual covered salary. The District is also required to contribute an additional 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System the District is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the Local Governmental Contributory Retirement System for the years ended December 31, 2005, 2004, and 2003, were \$4,178, \$4,460, and \$3,855, respectively and for the Noncontributory Retirement System the contributions for December 31, 2005, 2004, and 2003, were \$221,850, \$202,757, and \$169,104, respectively. The contributions were equal to the required contributions for each year.

Snyderville Basin Water Reclamation District
Notes to the Basic Financial Statements
December 31, 2005 and 2004

NOTE J - DEFERRED COMPENSATION PLAN

Effective July 1986, the District offered its full-time employees participation in a defined contribution deferred compensation plan created in accordance with Internal Revenue Code Section 401(k) (the 401(k) Plan). Employees may contribute up to 25.0% of their annual salary up to a maximum of \$13,000. During 2005 and 2004, all participants in the 401(k) Plan also participated in the contributory or noncontributory plans of the system. The District is not legally obligated to contribute and any contribution made is at the discretion of the Board of Trustees. All contributions are fully vested.

Contributions made by employees to the 401(k) Plan were \$110,930 and \$110,118 and for 2005 and 2004, respectively. In 2005, the District made contributions totaling \$96,903 (\$109,034 in 2004).

NOTE K - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all of these risks of loss, except natural disasters other than earthquakes. During 2005, the District did not decrease any levels of insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Claims information for the past two years is as follows:

	2005	2004
Claims liability, January 1	\$ -	\$ -
Claims incurred during the year and changes in estimates	13,172	6,400
Payments on claims during the year		
Payments made by insurance	13,172	5,400
Payments made by the District	-	1,000
	<u>\$ -</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Snyderville Basin Water Reclamation District

Modified Approach for Eligible Infrastructure Assets

Year Ended December 31, 2005

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets of the collection system and reclamation facilities. Infrastructure assets are capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than other capital assets. The District's major infrastructure system consists of the collection system and reclamation facilities and can be divided into subsystems such as collection lines, manholes and other appurtenances, pump stations and reclamation facilities. Subsystem detail is not presented in the basic financial statements; however, the District maintains detailed information on these subsystems.

The District has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its collection and reclamation system. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated if the following requirements are met:

- A. The District manages the eligible infrastructure capital assets using an asset management system meeting the following minimum requirements (1) have an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- B. The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The District commissions a physical condition assessment of its collection and reclamation facilities each year. The District's objective is to complete an assessment annually of all infrastructure assets covered by the District's asset management system. In accordance with GASB Statement No. 34, footnote 19, the District's condition assessments will be performed, in part, using statistical samples that are representative of infrastructure assets. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection and reclamation system is composed of approximately 243 miles of collection lines, 6,059 manholes, 10 pump stations and 2 reclamation facilities.

The District developed condition grade scales to provide a means of rating the assets during each condition assessment. The assets are assessed for several possible defects which are assigned a relative weight. Those weights are then normalized to sum to one (100%). The assigned condition grade score for each possible defect is multiplied by the normalized relative weight to yield a weighted defect score. The weighted defect scores are totaled for each asset, yielding a total asset rating that will range from 1 to 5. The Total Asset Ratings and corresponding Levels of Service are summarized in the following table. The District has set a minimum service level of 3 (Good) for all infrastructure assets.

<u>Level of Service</u>	<u>Total Asset Rating</u>
1 - Excellent	= $1.0 \leq \text{TAR} \leq 1.5$
2 - Very Good	= $1.5 < \text{TAR} \leq 2.5$
3 - Good	= $2.5 < \text{TAR} \leq 3.5$
4 - Poor	= $3.5 < \text{TAR} \leq 4.5$
5 - Very Poor	= $4.5 < \text{TAR}$

continued

Snyderville Basin Water Reclamation District
Modified Approach for Eligible Infrastructure Assets - continued
Year Ended December 31, 2005

During 2005, the District performed condition assessments using a statistical sample of 216 line segments, for the collection system, calculated in accordance with GASB Statement No. 34 guidelines. In addition, the District did an assessment of 1,142 reclamation facility assets, 510 manholes and 10 pump stations. The condition assessment of the 216 line segments identified one line segment not meeting the minimum standard established by the District. In addition, approximately 6 segments not meeting the minimum standards established by the District were identified as part of the District's ongoing television inspection efforts. All of the manholes, reclamation facilities and 8 of 10 pump stations were at or above the minimum service level.

These results were within the estimated expectations of the District and funds totaling \$450,000 have been budgeted for 2006 to upgrade the identified and yet to be identified deficiencies. Using the statistical sample for the collection system, and extrapolating the findings to the total population of line segments, the District is projecting that approximately 8-10 additional line segments will be assessed at service levels falling below the established condition level, with an estimated cost of \$30,000 to upgrade these as yet unidentified deficiencies.

The following conditions were noted:

Condition	Number of Reclamation Facility Assets Assessed	Number of Segments Assessed	Number of Manholes Assessed	Number of Pump Stations Assessed
1 - Excellent	704	128	-	4
2 - Very Good	436	71	510	2
3 - Good	2	16	-	2
4 - Poor	-	1	-	2
5 - Very Poor	-	-	-	-

The District expended \$365,202 on renewal and replacement of the collection system for the year ended December 31, 2005. Those renewal and replacement expenditures add service life to the asset. The budget required to maintain and improve the current level of overall condition through the year ended December 31, 2030 is estimated to be approximately \$9,486,000 (\$588,000 is projected for the year ended December 31, 2006, and the remaining \$8,898,000 spread over the years ending December 31, 2007 through 2030).

A schedule of the estimated annual amount calculated to maintain and preserve the District's collection and reclamation facilities at the current level compared to actual expenditures for maintenance for the year ended December 31, 2005 is presented below.

Estimated	\$ 156,300
Actual	\$ 154,092

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

Supplemental Financial Information**Schedule of Revenues and Other Sources and Expenditures and Other Uses, Budget to Actual****(Non-GAAP Budgetary Basis)****Year Ending December 31, 2005****With Comparative Totals for 2004**

	2005			2004
	Budget	Actual	Variance - favorable (unfavorable)	Actual
Revenues and Other Sources:				
Operating Revenues				
Sewer User Fees	\$ 5,528,500	\$ 5,514,927	\$ (13,573)	\$ 5,188,123
Engineering Fees	458,060	449,905	(8,155)	131,438
Other Revenue	8,500	33,165	24,665	28,305
Total	5,995,060	5,997,997	2,937	5,347,866
Nonoperating Revenues and other sources				
Impact Fees	4,675,000	5,569,334	894,334	3,749,435
Investment Income	459,500	480,541	21,041	254,034
Gain on Disposal of Capital Assets	9,500	2,563	(6,937)	(38)
Other Revenue	102,965	102,965	0	102,965
Capital Contributions	1,225,000	1,497,040	272,040	4,178,127
Total	6,471,965	7,652,443	1,180,478	8,284,523
Total Revenues and Other Sources	12,467,025	13,650,440	1,183,415	13,632,389
Expenditures and Other Uses				
Operating Expenditures				
Wages and benefits	3,170,190	3,092,602	77,588	2,798,954
Supplies	424,443	429,908	(5,465)	517,813
Contractual services	148,320	138,667	9,653	169,547
Utilities	392,504	402,023	(9,519)	236,624
Repairs and maintenance	561,960	388,571	173,389	167,480
Administration	200,920	200,897	23	148,183
Miscellaneous	55,860	54,148	1,712	49,110
Depreciation and amortization	320,000	314,772	5,228	407,124
Total O & M	5,274,197	5,021,588	252,609	4,494,835
Non Operating Expenditures				
Long-term Debt Principal	714,000	714,000	0	606,000
Long-term Debt Interest	124,090	124,090	0	137,321
Capital Disbursements	245,735	346,893	(101,158)	294,447
Construction	13,216,640	11,505,571	1,711,069	1,459,308
Total Non Operating Expenditures	14,300,465	12,690,554	1,609,911	2,497,076
Total Expenditures and Other Uses	19,574,662	17,712,142	1,862,520	6,991,911
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (7,107,637)</u>	<u>\$ (4,061,702)</u>	<u>\$ 3,045,935</u>	<u>\$ 6,640,478</u>

Supplemental Financial Information
Impact Fee Analysis
December 31, 2005

	Not Allocable to Impact Fees	Allocable to Impact Fees	Total
Revenues and other sources			
Sewer use fees	\$ 5,514,927	\$ -	\$ 5,514,927
Engineering fees	449,905	-	449,905
Impact fees	-	5,569,334	5,569,334
Investment income	134,402	346,139	480,541
Proceeds from disposal of property and equipment	9,537	-	9,537
Other	136,130	-	136,130
Total revenues and other sources	6,244,901	5,915,473	12,160,374
Expenditures and other uses			
Operation and maintenance expenses	4,706,816	-	4,706,816
Debt service - interest			
2000 revenue bonds	52,845	-	52,845
2003 revenue bonds	53,615	-	53,615
Debt service - other			
Reduction of long-term obligations	714,000	-	714,000
Increase in bond reserves	263,182	-	263,182
Capital expenditures - equipment			
Administration	33,333	-	33,333
Engineering equipment	48,644	-	48,644
Collection equipment	70,794	-	70,794
East Canyon Water Reclamation Facility	20,523	-	20,523
Silver Creek Reclamation Facility	59,728	-	59,728
Solids equipment	16,574	-	16,574
Capital expenditures - construction			
Gen Power to Centrate Pump	824	4,326	5,150
Silver Creek Reclamation Facility Generator	9,032	47,418	56,450
Phosphorus Optimization	20,525	105,654	126,179
EC Relief Phase II	-	10,360,942	10,360,942
EC Reuse Line	-	863,706	863,706
Expansion Feasibility Report	-	62,543	62,543
Fairway Pump Station Abandonment	-	94,967	94,967
Reuse Program	-	29,892	29,892
Impact Fee Analysis	-	3,039	3,039
Total expenditures and other uses	6,070,435	11,572,487	17,642,922
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	174,466	(5,657,014)	(5,482,548)
Funds at beginning of year	1,786,642	11,105,482	12,892,124
Funds at end of year	\$ 1,961,108	\$ 5,448,468	\$ 7,409,576
Funds at end of year consists of:			
Unrestricted current assets	\$ 3,620,009	\$ -	\$ 3,620,009
Current restricted cash and cash equivalents	-	721,340	721,340
Noncurrent restricted cash and cash equivalents	-	5,393,333	5,393,333
Impact fee notes receivable	-	55,135	55,135
Accounts payable	(254,434)	(721,340)	(975,774)
Accrued liabilities	(294,193)	-	(294,193)
Long-term portion of compensated absences	(173,289)	-	(173,289)
Customer deposits	(936,985)	-	(936,985)
	\$ 1,961,108	\$ 5,448,468	\$ 7,409,576
Funds required to be expended by 2011		\$ 5,448,468	

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Statistical Section

This section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information that may assist the reader in assessing the District's current financial performance and by placing it in historical perspective.	33 - 40
Revenue Capacity These schedules contain information that may assist the reader in assessing the District's two most significant local revenue sources, User Fees and Impact Fees, as well as property tax rates for overlapping governments.	41 - 46
Debt Capacity These tables present information that may assist the reader in analyzing the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.	47 - 52
Economic & Demographic Information This table offers economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place	53 - 54
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs	55 - 61

Source:

Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

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Statement of Net Assets

1996-2005

	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002
Assets				
Current Assets	\$ 5,223,349	\$ 3,655,301	\$ 4,444,190	\$ 4,671,357
Non Current Restricted Assets	6,955,462	12,517,291	9,233,891	8,412,784
Capital Assets (at cost)	92,956,862	90,966,275	85,666,185	66,894,502
Less Accumulated Dep'n	(20,602,056)	(20,329,489)	(20,229,495)	(20,026,808)
Construction In Progress	11,867,808	548,193	0	15,359,296
Other Assets	109,709	119,588	129,468	184,061
Total Assets	\$ 96,511,134	\$ 87,477,159	\$ 79,244,239	\$ 75,495,192
Liabilities and Net Assets				
Current Liabilities	\$ 3,250,475	\$ 1,847,292	\$ 1,728,180	\$ 2,283,722
Long Term Obligations	4,956,754	5,835,538	6,535,227	8,291,005
Contributions *	-	-	-	-
Retained Earnings	-	-	-	-
Net Assets				
Invested in capital assets, net of related debt	78,395,626	64,656,808	58,216,544	53,481,990
Restricted for capital projects	5,448,468	11,105,482	7,923,954	5,647,381
Restricted for debt service	1,914,083	1,654,596	1,596,857	1,578,443
Unrestricted	2,545,728	2,377,443	3,243,477	4,212,651
Total Liabilities and Net Assets	\$ 96,511,134	\$ 87,477,159	\$ 79,244,239	\$ 75,495,192

* Because of GASB Statement No. 33, Contributions from Developers which have previously been shown in a separate equity category, are being recognized in the Statement of Activities and Changes in Net Assets starting 2000

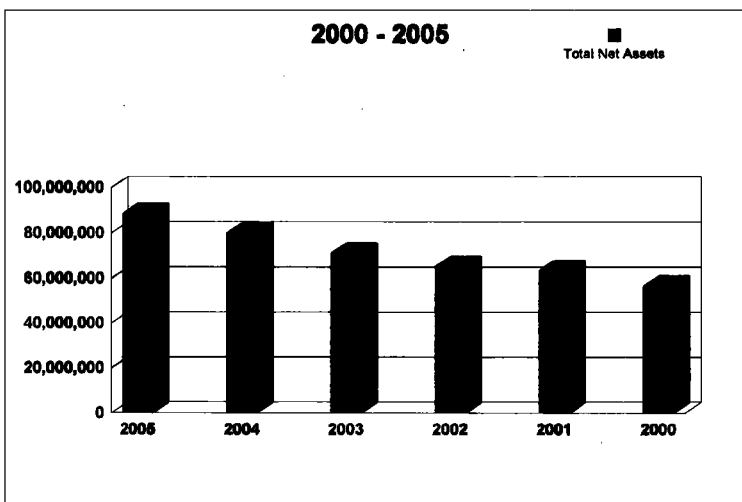
Prior to GASB 34

December 31, 2001	December 31, 2000	December 31, 1999	December 31, 1998	December 31, 1997	December 31, 1996
\$ 5,238,542	\$ 1,065,163	\$ 3,870,960	\$ 14,403,817	\$ 10,205,473	\$ 8,713,217
13,771,289	15,984,359	14,742,174	1,468,139	1,504,512	1,318,555
67,797,628	64,192,242	61,427,421	58,440,377	56,261,422	51,456,701
(19,925,567)	(17,960,862)	(16,209,408)	(14,549,647)	(12,836,632)	(11,246,859)
7,520,341	904,295	-	-	-	-
210,860	189,839	163,594	600,809	701,510	766,816
<u>\$ 74,613,093</u>	<u>\$ 64,375,036</u>	<u>\$ 63,994,741</u>	<u>\$ 60,363,495</u>	<u>\$ 55,836,285</u>	<u>\$ 51,008,430</u>
\$ 2,708,369	\$ 2,235,407	\$ 2,395,507	\$ 2,367,931	\$ 2,015,527	\$ 1,840,811
8,745,000	5,898,000	9,637,000	10,816,000	11,942,000	12,743,000
-	-	23,703,676	21,706,453	20,440,275	17,948,596
-	-	28,258,558	25,473,111	21,438,483	18,476,023
45,804,403	40,003,675	-	-	-	-
10,746,669	13,955,998	-	-	-	-
1,353,322	1,210,735	-	-	-	-
5,255,330	1,071,221	-	-	-	-
<u>\$ 74,613,093</u>	<u>\$ 64,375,036</u>	<u>\$ 63,994,741</u>	<u>\$ 60,363,495</u>	<u>\$ 55,836,285</u>	<u>\$ 51,008,430</u>

Changes in Net Assets

1996-2005

	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002
Revenues:				
Operating Revenues				
Sewer User Fees	\$ 5,514,927	\$ 5,188,123	\$ 5,083,459	\$ 4,466,116
Engineering Fees	449,905	131,438	128,155	88,651
Other Revenue	33,165	28,305	31,761	16,537
Total Operating Revenue	5,997,997	5,347,866	5,243,375	4,571,304
Expenses:				
Operating Expenses				
Operation & Maintenance	4,706,816	4,364,196	4,087,711	3,619,479
Depreciation and amortization	314,772	316,671	407,124	2,097,907
Total Operating Expenses	5,021,588	4,680,867	4,494,835	5,717,386
Nonoperating Revenues				
Impact Fees	5,569,334	3,749,435	3,285,416	2,278,125
Investment Income	480,541	254,033	207,205	335,734
Other Revenue	102,965	102,965	102,965	
Gain (Loss) on Sale of Capital Assets	2,563	(38)	(105,694)	(1,798,850)
Total Nonoperating Revenue	6,155,403	4,106,395	3,489,892	815,009
Non Operating Expenses				
Interest Expense	119,276	138,024	137,321	160,610
Income (loss) Before Contributions and Extraordinary Items	7,012,536	4,635,370	4,101,111	(491,683)
Capital Contributions	1,497,040	4,178,127	1,959,256	2,252,424
Extraordinary Loss on Defeasance of Debt	-	-	-	-
Increase in Net Assets	8,509,576	8,813,497	6,060,367	1,760,741
Net Assets at Beginning of Year	79,794,329	70,980,832	64,920,465	63,159,724
Net Assets at End of Year	\$ 88,303,905	\$ 79,794,329	\$ 70,980,832	\$ 64,920,465



Prior to GASB 34

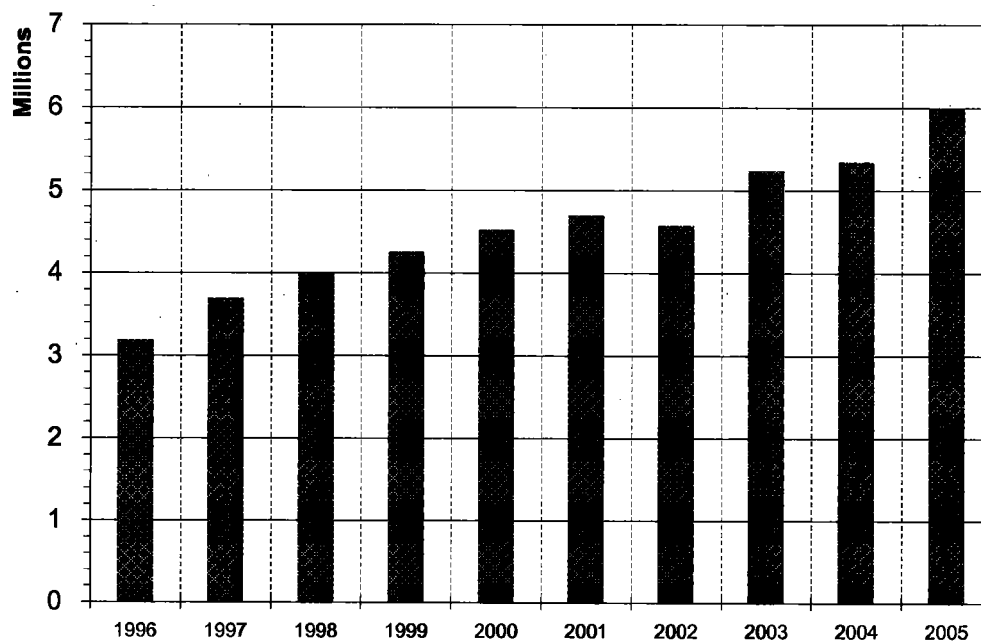
December 31, 2001	December 31, 2000	December 31, 1999	December 31, 1998	December 31, 1997	December 31, 1996
\$ 4,325,185	\$ 4,211,185	\$ 3,880,965	\$ 3,715,791	\$ 3,510,044	\$ 3,055,441
343,945	255,318	356,365	164,345	102,566	78,154
27,306	60,208	19,832	105,593	78,408	54,214
4,696,436	4,526,711	4,257,162	3,985,729	3,691,018	3,187,809
3,331,676	2,979,993	2,910,101	2,888,251	2,687,145	2,479,743
2,003,108	1,885,297	1,793,154	1,736,733	1,655,869	1,373,622
5,334,784	4,865,290	4,703,255	4,624,984	4,343,014	3,853,365
3,755,136	1,992,018	2,798,935	4,458,187	3,517,040	4,215,731
968,219	1,077,232	920,133	749,400	646,189	492,525
(947)	5,547	(869)	-	24,345	(24,641)
4,722,408	3,074,797	3,718,199	5,207,587	4,187,574	4,683,615
182,351	422,992	486,659	533,704	573,118	295,735
3,901,709	2,313,226	\$ 2,785,447	\$ 4,034,628	\$ 2,962,460	\$ 3,722,324
3,016,386	2,427,018				
-	(460,849)				
6,918,095	4,279,395				
56,241,629	51,962,234				
\$ 63,159,724	\$ 56,241,629				

Operating Revenues

1996-2005

Year	User Fees	Engineering Fees	Other Revenue	Total
1996	\$ 3,055,441	\$ 78,154	\$ 54,214	\$ 3,187,809
1997	3,510,044	102,566	78,408	3,691,018
1998	3,715,791	164,345	105,593	3,985,729
1999	3,880,965	356,365	19,832	4,257,162
2000	4,211,185	255,318	60,208	4,526,711
2001	4,325,185	343,945	27,306	4,696,436
2002	4,466,116	88,651	16,537	4,571,304
2003	5,083,459	128,155	31,762	5,243,376
2004	5,188,123	131,438	28,305	5,347,866
2005	5,514,927	449,905	33,165	5,997,997

Operating Revenue

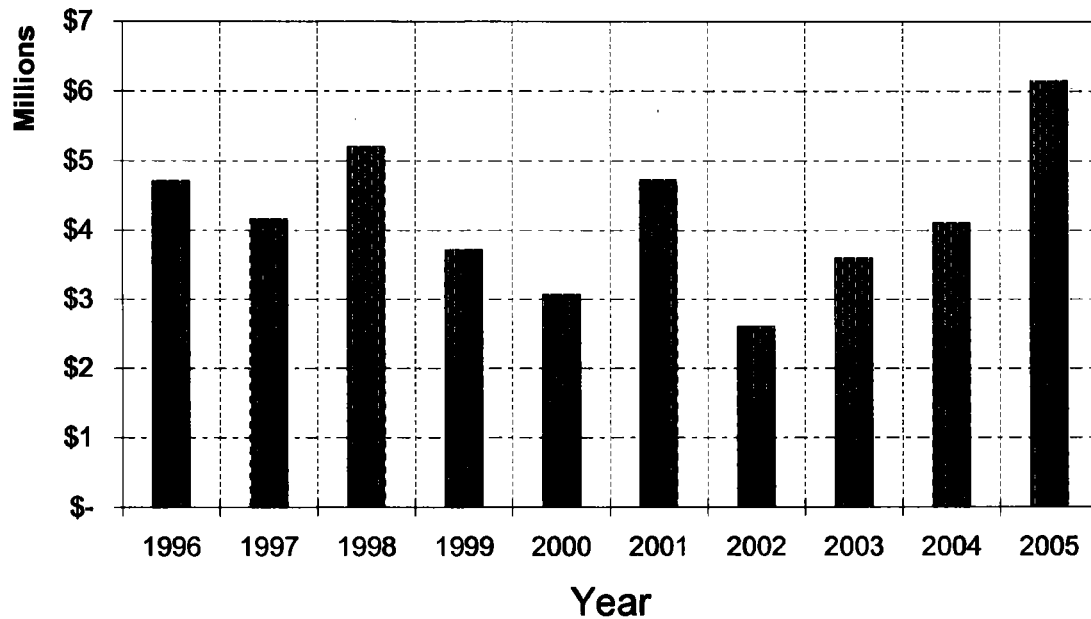


Non Operating Revenues

1996 - 2005

Year	Impact Fees	Investment Income	Other Revenue	Total
1996	\$ 4,215,731	\$ 492,525	\$ -	\$ 4,708,256
1997	3,517,040	646,189	-	4,163,229
1998	4,458,187	749,400	-	5,207,587
1999	2,798,935	920,133	-	3,719,068
2000	1,992,018	1,077,232	-	3,069,250
2001	3,755,136	968,219	-	4,723,355
2002	2,278,125	335,733	-	2,613,858
2003	3,285,416	207,205	102,965	3,595,586
2004	3,749,435	254,033	102,965	4,106,433
2005	5,569,334	480,542	102,965	6,152,841

Non Operating Revenues



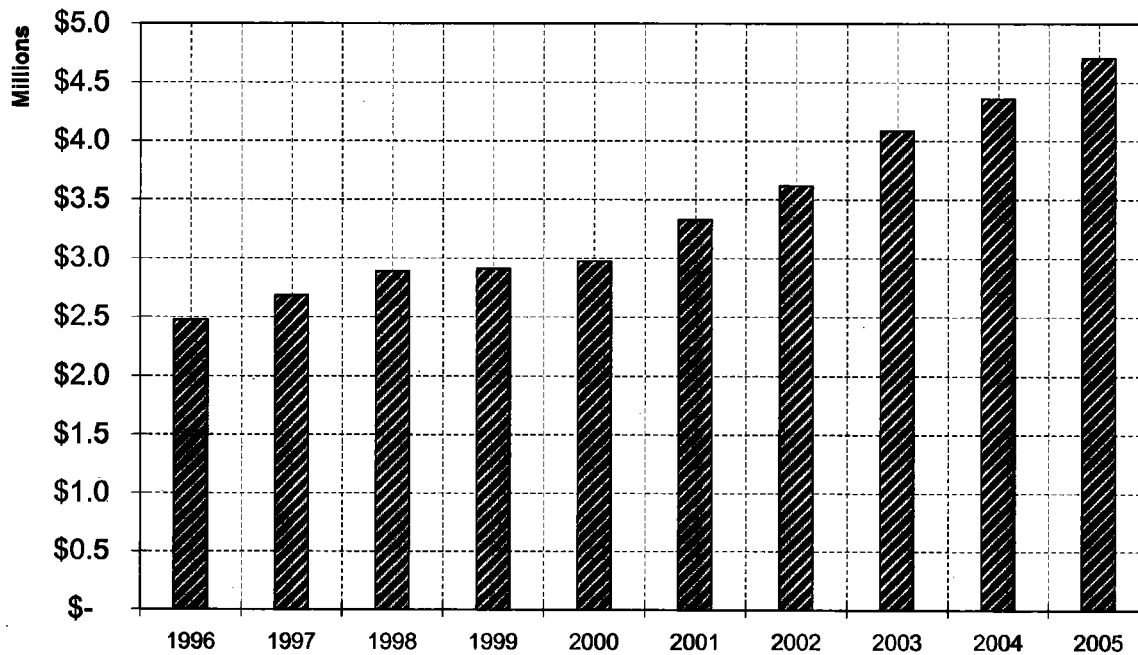
Operating Expenses - By Department

(excluding depreciation and amortization)

1996 - 2005

Year	Admin	Engineer	Collections	ECWRF	SCWRF	Lab	Solids Mgt	Pretreat	Total Operating Expenses (excluding depreciation)
1996	\$ 560,696	\$ 380,627	\$ 377,552	\$ 521,584	\$ 415,908	\$56,208	\$ 137,852	\$ 29,316	\$ 2,479,743
1997	520,956	372,770	360,279	603,271	473,991	84,210	211,895	59,773	2,687,145
1998	538,751	463,789	394,384	608,029	527,952	93,424	197,059	64,863	2,888,251
1999	547,358	528,145	394,519	667,805	415,005	100,269	189,313	67,687	2,910,101
2000	478,201	610,474	409,294	654,181	427,288	138,245	194,810	67,500	2,979,993
2001	574,148	628,584	486,225	658,600	573,946	130,033	196,475	83,665	3,331,676
2002	689,381	641,854	598,281	674,078	578,018	143,941	210,410	83,516	3,619,479
2003	691,396	672,255	713,669	867,861	618,582	154,294	280,984	88,670	4,087,711
2004	737,585	700,462	890,326	797,790	621,913	168,353	340,136	107,631	4,364,196
2005	803,084	716,562	949,243	889,723	684,618	169,318	380,370	113,898	4,706,816

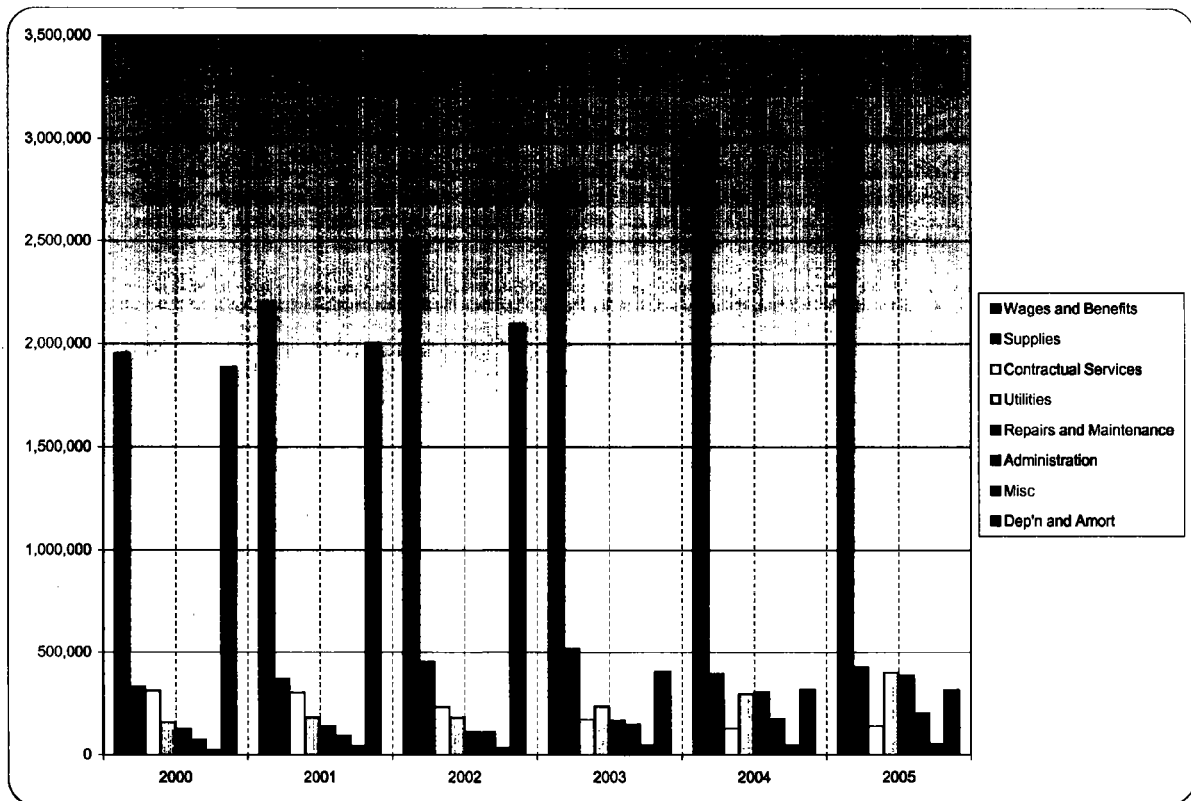
Operating Expenses



Operating Expenses by Source

2000 - 2005

Year	Wages and Benefits	Supplies	Contractual Services	Utilities	Repairs and Maintenance	Administration	Misc	Dep'n and Amort	Total Operating Expenses
2000	\$ 1,951,192	\$ 330,942	\$ 311,826	\$ 159,130	\$ 126,824	\$ 75,442	\$ 24,637	\$ 1,885,297	\$ 4,865,290
2001	2,199,860	370,487	302,291	182,805	138,757	92,999	44,477	2,003,108	5,334,784
2002	2,501,563	455,169	234,765	182,322	112,424	110,224	33,012	2,097,907	5,727,386
2003	2,798,954	517,813	169,547	236,624	167,480	148,183	49,110	407,124	4,494,835
2004	3,014,637	396,255	128,022	297,390	305,466	175,524	46,902	316,671	4,680,867
2005	3,092,602	429,908	138,667	402,023	388,571	200,897	54,148	314,772	5,021,588



Note: Starting in 2003, the District used the modified approach to account for infrastructure assets reducing annual depreciation

Assessed and Estimated Actual Value of Taxable Property

1996 - 2005

Fiscal Year	Assessed Value	Estimated Actual Value	Ratio of assessed to estimated actual value
1996	\$ 2,885,214,446	\$ 2,885,214,446	100%
1997	3,231,332,158	3,231,332,158	100%
1998	4,181,732,256	4,181,732,256	100%
1999	4,054,574,573	4,054,574,573	100%
2000	4,805,016,224	4,805,016,224	100%
2001	5,154,105,795	5,154,105,795	100%
2002	5,377,597,376	5,377,597,376	100%
2003	5,935,657,459	5,935,657,459	100%
2004	5,835,904,620	5,835,904,620	100%
2005	6,365,821,490	6,365,821,490	100%

Source: District Accounting Records and Summit County Treasurer's Office

* The District discontinued assessing property taxes in 1994

Prior to 1987 property was assessed at 20% of its reasonable fair value. Subsequent to 1986, property is assessed at 100% of its reasonable fair cash value, except for primary residential property, which was assessed at 15% of its reasonable fair cash value prior to 1987 and at 75% of reasonable fair cash value in subsequent years. Information is not available as to how much of the assessed value is attributable to primary residential property; therefore, the estimated actual values are understated by an undetermined amount.

Property Tax Rates - Direct and Overlapping Governments

1996 - 2005

Fiscal Year	Snyderville Basin Water Reclamation District	Park City Municipal	Park City Fire District	Park City School District	Weber Basin Water	Summit County	Summit County Mosquito Abatement District	Snyderville Basin Recreation District	Total
1996	-	0.002675	0.000854	0.006640	0.000165	0.001970	-	-	0.012304
1997	-	0.002419	0.000678	0.005908	0.000154	0.001850	-	-	0.011009
1998	-	0.002281	0.000811	0.006564	0.000145	0.001630	-	-	0.011431
1999	-	0.001805	0.000610	0.005550	0.000137	0.001524	-	-	0.009626
2000	-	0.002286	0.000901	0.005802	0.000200	0.001564	-	0.000943	0.011696
2001	-	0.002204	0.000898	0.005555	0.000193	0.001529	-	0.000880	0.011259
2002	-	0.002132	0.000858	0.005709	0.000193	0.001488	-	0.001198	0.011578
2003	-	0.002267	0.000885	0.005672	0.000198	0.001523	0.000553	0.001030	0.012128
2004	-	0.002525	0.001180	0.005885	0.000198	0.001554	0.000580	0.001201	0.013123
2005	-	0.002349	0.001132	0.005494	0.000193	0.001491	0.000576	0.001188	0.012423

The District discontinued assessing property taxes in 1994

Source: District Accounting Records, Summit County Tax Notices and Utah State Tax Commission

Note: Rates are stated per \$1,000 of assessed value

Principal Rate Payers

Year Ending December 31, 2005

(current period and period nine years prior)

Organization	Type of Service	2005		1996	
		Annual User Fee Amount	Rank	Annual User Fee Amount	Rank
American Skiing Company of Utah	Ski Resort	\$ 146,866	1	\$ -	
Canyon Creek Apartments	Apartments	85,027	2	55,308	3
Deer Valley Resort	Ski Resort	64,827	3	-	
Marriott Mountainside Resort	Condominiums	64,040	4	-	
Marriott Summit Watch Ownership Resort	Condominiums	56,164	5	-	
Stein Ericksen Lodge	Ski Lodge	55,752	6	37,450	6
Red Pine Chalets	Condominiums	51,864	7	65,087	2
Prospector Square Owner's Association	Condos and Convention Center	44,824	8	-	
Hidden Creek HOA	Condominiums	41,664	9	-	
Powderwood Homeowners Association	Condominiums	37,360	10	65,837	1
Resort Center Owners Association	Condominiums	-		40,598	4
Yarrow Hotel	Hotel	-		38,760	5
Parkwest Homeowners Association	Condominiums	-		35,717	7
Olympia Park Hotel	Hotel	-		35,060	8
Carriage House Homeowners Association	Condominiums	-		27,850	9
Landmark Inn	Hotel	-		21,675	10
		<u>\$ 648,388</u>		<u>\$ 423,342</u>	

Note: The percentage of total revenue for principal rate payers is not significant and is not shown on this schedule

Source: District Account Files

Summary of Impact Fee Revenue

1996 - 2005

YEAR	RESERVATION OF CAPACITY FEES		IMPACT FEES			IMPACT FEES		ADDITIONAL FEES COLLECTED UPON INSPECTION AND DEFERRED PAYMENTS	TOTAL RE'S SOLD (DOES NOT INCLUDE RCF)	TOTAL REVENUE
	UNITS/RE'S	REVENUE	RESIDENTIAL/CONDO			COMMERCIAL/INDUSTRIAL				
			UNITS	RE's	REVENUE	RE'S	REVENUE			
1996	351.0	\$ 897,000	890	890.0	\$ 3,050,000	89.1	\$ 239,971	\$ 28,760	979.1	\$ 4,215,731
1997	402.4	1,043,822	696	696.0	2,100,380	112.8	355,938	16,900	808.8	3,517,040
1998	88.0	240,200	1,097	1,097.0	3,804,372	86.0	403,016	10,600	1,183.0	4,458,188
1999	-	-	517	517.0	2,339,186	100.1	353,877	105,872	617.1	2,798,935
2000	-	-	340	340.0	1,689,272	57.4	241,865	60,882	397.4	1,992,019
Adjustment *				3,821.6					3,821.6	
2001	-	-	640	695.3	3,212,359	150.8	542,387	390	846.1	3,755,136
2002	-	-	293	442.4	2,069,241	47.0	208,884	-	489.4	2,278,125
2003	-	-	463	546.8	2,714,000	105.0	553,917	17,499	651.8	3,285,416
2004	-	-	526	691.0	3,455,284	52.3	271,816	22,335	743.3	3,749,435
2005	-	-	767	929.1	4,921,429	103.9	517,228	130,677	1,033.0	5,569,334
	841.4	\$ 2,181,022	6,229	10,666.2	\$ 29,355,523	904.4	\$ 3,688,899	\$ 393,915	11,570.6	\$ 35,619,359

* Because RE's were not measured by the District prior to 1980, actual sold RE's adjusted per research done for Capital Facilities Plan in 2001

User Fee and Impact Fee Rates

1996 - 2005

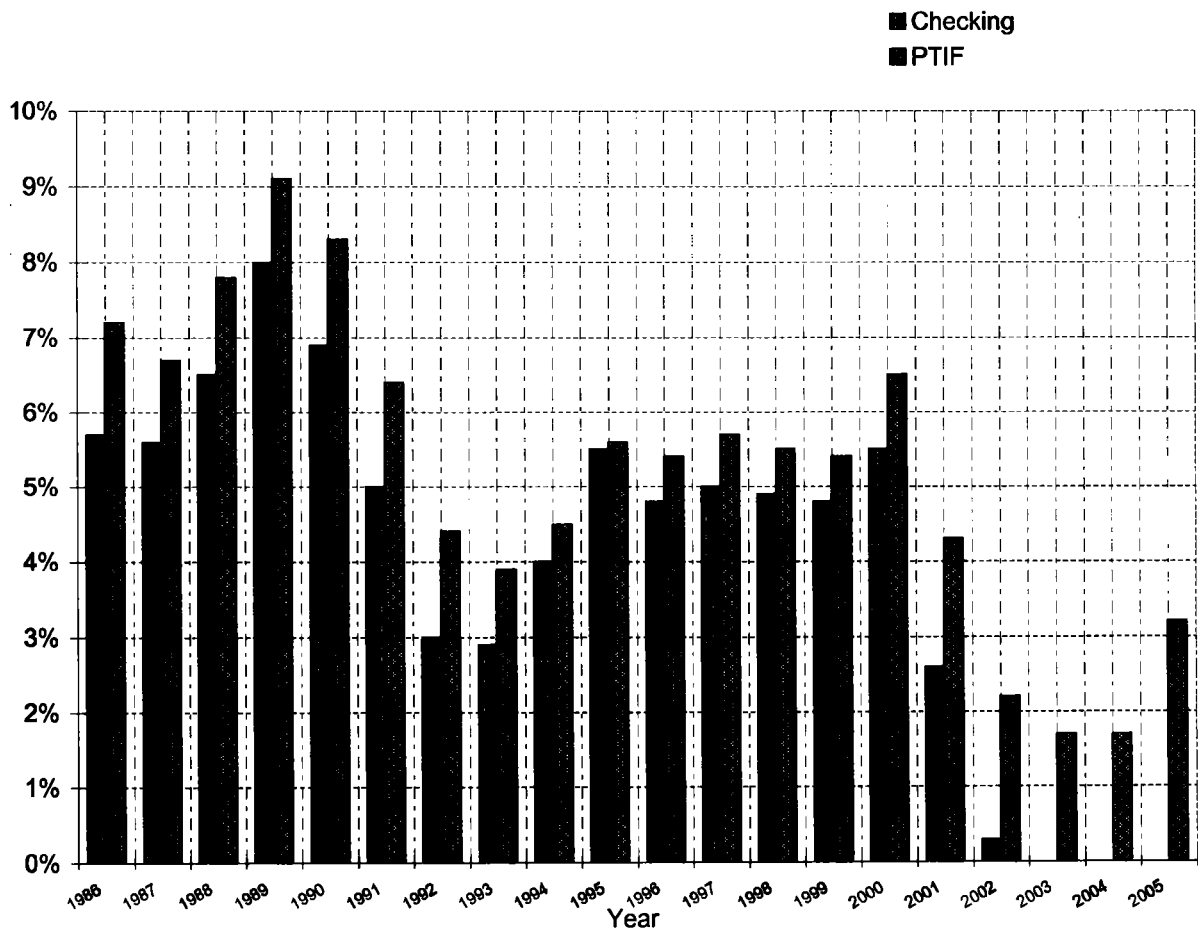
Fiscal Year	Rate Resolution Number	Adoption Date	User Fees	Impact Fees *	Total Fee Revenue
1996	69	01/08/96	\$70/Quarter \$16 per RE/unit plus \$1.25 per 1,000 gallons of winter water usage	\$ 4,200	\$ 7,271,172
1997	72	02/10/97	\$16 per RE/unit plus \$1.25 per 1,000 gallons of winter water usage	4,200	7,027,084
1998	75	04/27/98	\$16 per RE/unit plus \$1.25 per 1,000 gallons of winter water usage	4,350	8,173,978
1999	75	04/27/98	\$16 per RE/unit plus \$1.25 per 1,000 gallons of winter water usage	4,500	6,679,900
2000	75	04/27/98	\$16 per RE/unit plus \$1.25 per 1,000 gallons of winter water usage	4,800	6,203,203
2001	75	04/27/98	\$16 per RE/unit plus \$1.25 per 1,000 gallons of winter water usage	4,800	8,080,321
2002	75	04/27/98	\$16.70 per RE/unit plus \$1.45 per 1,000 gallons of winter water usage	4,874	6,744,241
2003	84	01/01/03	\$17.00 per RE/unit plus \$1.54 per 1,000 gallons of winter water usage	5,022	8,368,875
2004	86	01/26/04	\$17.30 per RE/unit plus \$1.63 per 1,000 gallons of winter water usage	5,155	8,937,558
2005	95	02/28/05	\$17.30 per RE/unit plus \$1.63 per 1,000 gallons of winter water usage	5,289	11,084,261

* Based on a three bedroom home. Increased by \$800 for each additional bedroom up to five and \$200 for each additional bedroom after five through 2001. Starting in 2002 each bedroom is charged one-third of an RE.

Schedule of Historical Interest Rates

1986 - 2005

Year	Wells Fargo Bank Average	PTIF Average
	Rate	Rate
1986	5.7%	7.2%
1987	5.6%	6.7%
1988	6.5%	7.8%
1989	8.0%	9.1%
1990	6.9%	8.3%
1991	5.0%	6.4%
1992	3.0%	4.4%
1993	2.9%	3.9%
1994	4.0%	4.5%
1995	5.5%	5.6%
1996	4.8%	5.4%
1997	5.0%	5.7%
1998	4.9%	5.5%
1999	4.8%	5.4%
2000	5.5%	6.5%
2001	2.6%	4.3%
2002	0.3%	2.2%
2003	-	1.7%
2004	-	1.7%
2005	-	3.2%



Pledged Revenue Coverage

1996-2005

	2005	2004	2003	2002
Net Revenues				
Operating Revenues	\$ 5,997,997	\$ 5,347,866	\$ 5,243,375	\$ 4,571,304
Operating Expenses (excluding depreciation & amortization)	(4,706,816)	(4,364,196)	(4,087,711)	(3,619,479)
Impact Fees	5,569,334	3,749,435	3,285,416	2,278,125
Investment Income	480,542	254,033	207,205	335,734
Net Revenues, as defined in bond indenture	<u>\$ 7,341,057</u>	<u>\$ 4,987,138</u>	<u>\$ 4,648,285</u>	<u>\$ 3,565,684</u>
Net Revenues Excluding Impact Fees				
Net Revenues	7,341,057	4,987,138	4,648,285	3,565,684
Impact Fees	(5,569,334)	(3,749,435)	(3,285,416)	(2,278,125)
Net Revenues Excluding Impact Fees	<u>\$ 1,771,723</u>	<u>\$ 1,237,703</u>	<u>\$ 1,362,869</u>	<u>\$ 1,287,559</u>
Aggregate Debt Service*	<u>\$ 838,090</u>	<u>\$ 838,550</u>	<u>\$ 763,931</u>	<u>\$ 324,639</u>
Ratio of Net Revenues to Aggregate Debt Service	<u>8.76</u>	<u>5.95</u>	<u>6.08</u>	<u>10.98</u>
Minimum Ratio Per 1993 Master Bond Resolution	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
Ratio of Net Revenues Excluding Impact Fees to Aggregate Debt Service	<u>2.11</u>	<u>1.48</u>	<u>1.78</u>	<u>3.97</u>
Minimum Ratio	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>

*Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District. It does not include any general obligation bonds or other contracts which obligate the District to disburse funds.

Aggregate Debt Service consists of revenue bond payments during the current year:
(not including principal paid in connection with refunding)

	Principal	Interest	Total
1994 Series Revenue Bonds	\$ 125,000	\$ -	\$ 125,000
2000 Series Revenue Bonds	398,000	68,340	466,340
2003 Series Revenue Bonds	191,000	55,750	246,750
	<u>\$ 714,000</u>	<u>\$ 124,090</u>	<u>\$ 838,090</u>

2001	2000	1999	1998	1997	1996
\$ 4,696,436 (3,331,676)	\$ 4,526,711 (2,979,993)	\$ 4,257,162 (2,910,101)	\$ 3,985,729 (2,888,251)	\$ 3,691,018 (2,687,145)	\$ 3,187,809 (2,479,743)
3,755,136 968,219	1,992,018 1,077,232	2,798,935 920,133	4,458,188 749,400	3,517,040 646,188	4,215,731 492,525
<u>\$ 6,088,115</u>	<u>\$ 4,615,968</u>	<u>\$ 5,066,129</u>	<u>\$ 6,305,066</u>	<u>\$ 5,167,101</u>	<u>\$ 5,416,322</u>
6,088,115 (3,755,136)	4,615,968 (1,992,018)	5,066,129 (2,798,935)	6,305,066 (4,458,188)	5,167,101 (3,517,040)	5,416,322 (4,215,731)
<u>\$ 2,332,979</u>	<u>\$ 2,623,950</u>	<u>\$ 2,267,194</u>	<u>\$ 1,846,878</u>	<u>\$ 1,650,061</u>	<u>\$ 1,200,591</u>
<u>\$ 270,989</u>	<u>\$ 278,594</u>	<u>\$ 515,208</u>	<u>\$ 515,208</u>	<u>\$ 515,208</u>	<u>\$ 514,708</u>
<u>22.47</u>	<u>16.57</u>	<u>9.83</u>	<u>12.24</u>	<u>10.03</u>	<u>10.52</u>
<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
<u>8.61</u>	<u>9.42</u>	<u>4.40</u>	<u>3.58</u>	<u>3.20</u>	<u>2.33</u>
<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>

Schedule of Outstanding Debt

1996 - 2005

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
1978 General Obligation Bonds	-	-	-	-	-	\$ 145,000	\$ 265,000	\$ 375,000	\$ 475,000	\$ 565,000
1992 General Obligation Bonds	-	-	-	-	625,000	1,500,000	2,350,000	3,160,000	3,940,000	4,690,000
Total GO Bonds	0	0	0	0	625,000	1,645,000	2,615,000	3,535,000	4,415,000	5,255,000
1994 Revenue Bonds	1,250,000	1,375,000	1,500,000	1,625,000	1,750,000	1,875,000	2,000,000	2,125,000	2,250,000	2,094,000
1995 Revenue Bonds	-	-	-	935,000	1,028,000	1,117,000	1,201,000	1,281,000	1,358,000	1,431,000
1993 Revenue Bonds	-	-	-	1,995,000	1,995,000	1,995,000	5,000,000	5,000,000	5,000,000	5,000,000
2000 Revenue Bonds	2,542,371	2,940,370	3,330,371	4,190,000	4,190,000	500,000	-	-	-	-
2003 Revenue Bonds	2,034,617	2,212,801	2,389,775	-	-	-	-	-	-	-
Total Revenue Bonds	5,826,988	6,528,171	7,220,146	8,745,000	8,963,000	5,487,000	8,201,000	8,406,000	8,608,000	8,525,000
Notes Payable	-	-	-	-	-	-	-	-	-	100,000
Total Notes Payable	0	0	0	0	0	0	0	0	0	100,000
Total Outstanding Debt	\$ 5,826,988	\$ 6,528,171	\$ 7,220,146	\$ 8,745,000	\$ 9,588,000	\$ 7,132,000	\$ 10,816,000	\$ 11,941,000	\$ 13,023,000	\$ 13,880,000

Ratios of Outstanding Debt by Type

1996 - 2005

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Total</u>	<u>Percentage of Personal Income(1)</u>	<u>Per Capita (1)</u>
1996	\$ 5,255,000	\$ 8,525,000	\$ 100,000	\$ 13,880,000	1.42%	\$ 589
1997	4,415,000	8,608,000	-	13,023,000	1.24%	528
1998	3,535,000	8,406,000	-	11,941,000	1.04%	465
1999	2,615,000	8,201,000	-	10,816,000	0.90%	409
2000	1,645,000	5,487,000	-	7,132,000	0.50%	237
2001	625,000	8,963,000	-	9,588,000	0.70%	307
2002	-	8,745,000	-	8,745,000	0.60%	271
2003	-	7,220,146	-	7,220,146	0.50%	212
2004	-	6,528,171	-	6,528,171	0.40%	186
2005	-	5,826,988	-	5,826,988	0.36%	161

Note: Details regarding the District's outstanding debt can be found in Note F in the financial statements

(1) Personal and per capita income can be found on page 52

Ratios of General Bonded Debt Outstanding

1996 - 2005

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)
1996	\$ 5,255,000	0.18%	\$ 223
1997	4,415,000	0.14%	179
1998	3,535,000	0.08%	138
1999	2,615,000	0.06%	99
2000	1,645,000	0.03%	55
2001	625,000	0.01%	20
2002	-	-	-
2003	-	-	-
2004	-	-	-
2005	-	-	-

(1) The assessed and actual value of taxable property can be found on page 41

(2) Population and personal income data can be found on page 53

Legal Debt Margin Information

1996 - 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	\$ 346,225,734	\$ 387,759,859	\$ 861,807,871	\$ 486,548,949	\$ 576,601,947	\$ 618,492,695	\$ 645,311,685	\$ 712,278,895	\$ 700,308,554	\$ 763,898,579
Debt Applicable to Limit	5,255,000	4,415,000	3,535,000	2,615,000	1,645,000	625,000	-	-	-	-
Legal Debt Margin	\$ 340,970,734	\$ 392,174,859	\$ 865,342,871	\$ 489,163,949	\$ 578,246,947	\$ 619,117,695	\$ 645,311,685	\$ 712,278,895	\$ 700,308,554	\$ 763,898,579

Total debt applicable to the limit as a percentage of debt limit

1.52%	1.14%	0.41%	0.54%	0.29%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%
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Legal Debt Margin Calculation for Fiscal Year 2005

Estimated market value	\$ 6,365,821,490
Debt Limit (12% of market value)	763,898,579
Debt applicable to limit	-
Legal debt margin	\$ 763,898,579

Demographic Statistics - Summit County

1996 - 2005

Year	Population (1)	Personal Income (thousands of dollars) (1)	Per Capita Income (1)	Median Age (2)	Park City School District Enrollment (3)	Unemployment Rate (4)
1996	23,562	\$ 974,221	\$ 41,347	31.84	3,354	3.6%
1997	24,675	1,052,289	42,646	32.08	3,603	3.1%
1998	25,669	1,146,574	44,668	32.32	3,800	4.5%
1999	26,459	1,204,913	45,539	33.07	3,818	4.9%
2000	30,048	1,336,038	44,545	33.42	3,921	4.2%
2001	31,279	1,417,656	45,797	33.33	3,959	5.9%
2002	32,236	1,444,369	45,332	33.33	3,957	8.8%
2003	34,073	1,491,412	45,500	33.33	4,059	7.9%
2004	35,090	1,627,100	48,078	33.33	4,212	6.2%
2005	36,283	*	*	33.33	4,353	4.4%

Source: (1) State of Utah Economic and Demographic Research Database
(2) Bureau of the Census
(3) Park City School District, Utah Office of Education
(4) Utah Department of Workforce Services

* Information not available

Principal Employers

Year Ending December 31, 2005

Employer	Maximum Number of Employees	Rank
Deer Valley Resort	1,829	1
The Canyons Resort	1,175	2
Park City Mountain Resort	950	3
Park City Municipal Corporation	600	4
Premier Resorts of Utah	600	5
Stein Eriksen Lodge	499	6
Jan's Mountain Outfitters	250	7
Park City School District	249	8
Albertson's	249	9
Gear Systems	200	10
Dan's Foods	160	11
Glenwild	148	12
Marriott Park City	129	13
Smith's Food and Drug	110	14
Park City Fire District	103	15
U.S. Ski & Snowboard Association	100	16
	<u>7,351</u>	

Source: Utah Department of Workforce Services

Note: Because our District boundaries include Park City and part of Summit County, total employment figures are not available and so the percent of total employment is not shown.

Full-time Equivalent Employee by Function as of December 31,

Function	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Adminstration	5	5	5	5	5	6	6	6	6	5
Engineering	8	8	8	8	8	7	6	6	10	8
Collections	8	11	10	9	9	8	7	7	6	6
East Canyon Water Reclamation Facility	8	11	10	8	8	8	8	8	8	8
Silver Creek Water Reclamation Facility	6	5	6	6	6	6	7	8	7	7
Laboratory	2	2	2	2	2	1	2	2	2	1
Solids Handling	2	2	2	2	2	2	2	2	2	2
Pretreatment	1	1	1	1	1	1	1	1	1	1
Totals	40	45	44	41	41	39	39	40	42	38

Source: District Accounting Records

Operator Certification Status

As of December 31, 2005

In accordance with Section 19-5-104 of the Utah Code Annotated, wastewater operators are to be certified. Certification rules apply to all wastewater works and sewerage systems operated by political subdivisions. This includes both wastewater collection systems and wastewater treatment systems.

TREATMENT OPERATOR

TREATMENT CERTIFICATION LEVEL

KEN BRAND, TREATMENT SUPERVISOR	GRADE IV	Also certified as Collection System Operator Grade IV R
LARRY SMITH, TREATMENT SUPERVISOR	GRADE IV	
GORDON EVANS, OPERATOR IV	GRADE IV	Also certified as Collection System Operator Grade IV
GARY HILL, OPERATOR IV	GRADE IV	
MARLO DAVIS, OPERATOR IV	GRADE IV	Also certified as Collection System Operator Grade IV R
CLIFF MEDLER, OPERATOR IV	GRADE IV	Also certified as Collection System Operator Grade II
DALE CHOULES, OPERATOR III	GRADE IV	
DAVID SMILANICH, OPERATOR III	GRADE IV	
LAINE MAIR, OPERATOR II	GRADE III	
CODY SNYDER, OPERATOR II	GRADE III	Also certified as a Small System Drinking Water Operator
JEFF CHRISTENSEN, OPERATOR I	GRADE II R	
KEN ALLEAVITCH, OPERATOR I	GRADE II	
BULMARO AGUILAR, OPERATOR I	GRADE I	
BRANDON MASON, OPERATOR I	GRADE II R	

COLLECTION OPERATOR

COLLECTION CERTIFICATION LEVEL

BLAINE BOYER, OPERATOR III	GRADE IV
KRAY O'BRIEN, OPERATOR III	GRADE III
SCOTT MCPHIE, OPERATOR I	GRADE III
BARNEY FRANCE, OPERATOR I	NOT CERTIFIED
SCOTT COOK, OPERATOR I	GRADE I
NICK BROWN, OPERATOR I	NOT CERTIFIED
BLAINE BOWDEN, COLLECTION SYSTEM TECHNICIAN	NOT CERTIFIED

ENGINEERING, INDUSTRIAL, PRETREATMENT

GLENN WARNER	GRADE III R	Treatment
	GRADE III	Collection System
ROBERTO MCFARLANE	GRADE IV	Also certified as Collection System Operator Grade II
	GRADE II	Collection System

SUPERVISOR CERTIFICATION STATUS

MICHAEL BOYLE, OPERATIONS MANAGER	GRADE IV	Also certified as Treatment and Collection System II
	GRADE II	Water Distribution Specialist
ROGER ROBINSON, COLLECTION SYSTEM MANAGER	GRADE IV	Collection System
	GRADE I	Treatment
NEIL JONES, TREATMENT SUPERINTENDENT	GRADE IV	Also certified as Collection System Operator Grade IV
DENNIS MCCORMICK, LAB DIRECTOR	GRADE IV	

Summary of Changes in Capital Assets

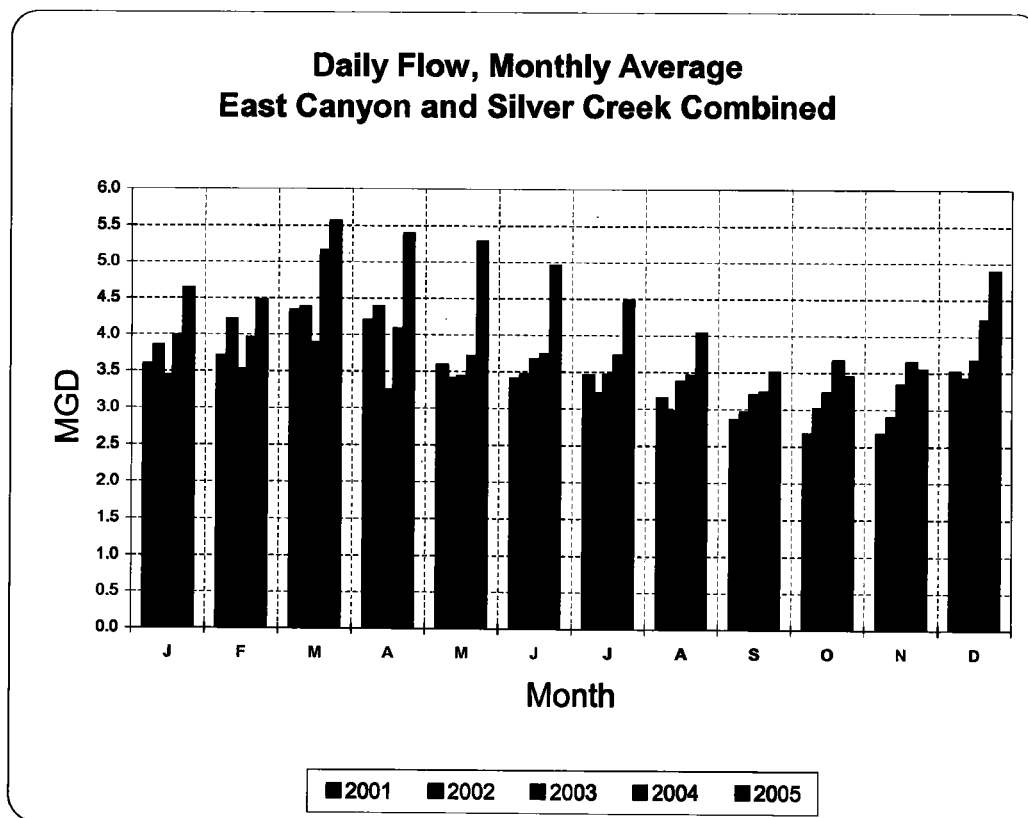
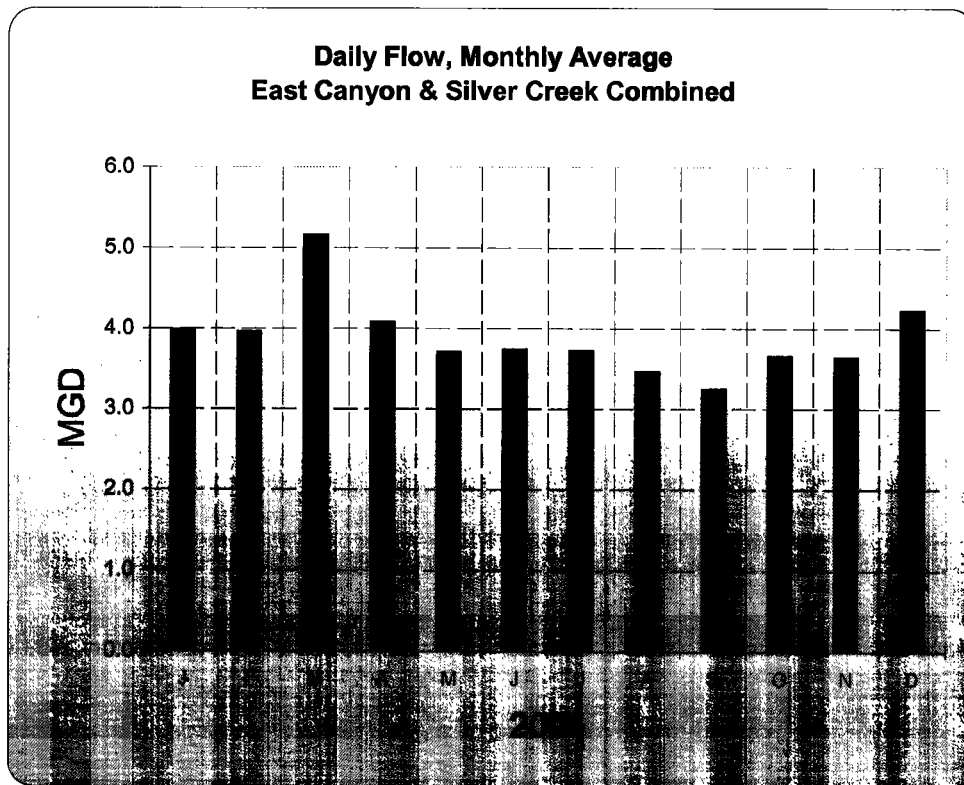
1996-2005

DESCRIPTION	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
Land	\$ 714,846	\$ 714,948	\$ 717,185	\$ 717,185	\$ 717,185
Administration Building	1,179,278	1,190,930	1,191,626	1,194,626	1,194,626
Collections Building	440,347	440,347	440,347	440,347	440,347
East Canyon Training Building	236,874	236,874	236,874	236,874	236,874
Silver Creek Water Reclamation Fac	9,597,496	9,598,481	9,598,481	9,615,030	9,615,030
East Canyon Water Reclamation Fac	12,410,358	12,938,014	12,985,338	13,569,851	13,540,948
Solids Handling	2,503,483	2,531,347	2,583,284	2,590,519	2,590,519
35 Year Improvements	261,411	261,411	262,111	262,111	262,111
20 Year Improvements	18,798	53,194	61,522	61,522	61,522
Collection System-Park City	324,360	324,360	324,360	324,360	324,360
Collection System-New	22,416,463	26,336,361	28,374,514	30,648,219	33,216,562
Safety Equipment	23,400	23,400	23,400	23,400	23,400
Heavy Equipment	274,633	511,070	514,854	633,885	763,955
Treatment Equipment	424,604	441,540	445,453	473,069	495,920
Laboratory Equipment	22,571	22,571	22,571	25,145	25,145
Collection Equipment	317,865	303,745	303,745	265,778	316,620
Administration Equipment	155,337	166,261	186,232	216,183	154,770
Engineering Equipment	68,404	91,947	93,857	116,189	199,220
Solids Equipment	66,173	74,622	74,622	13,127	13,127
Subtotal	51,456,701	56,261,422	58,440,376	61,427,420	64,192,241
Construction in Progress	-	-	-	-	904,295
Total	\$ 51,456,701	\$ 56,261,422	\$ 58,440,376	\$ 61,427,420	\$ 65,096,536

12/31/01	12/31/02	12/31/03	12/31/04	2005 Additions	2005 Deletions	Balance at Cost 12/31/05
\$ 717,185	\$ 717,185	\$ 717,185	\$ 717,185	\$ -	\$ -	\$ 717,185
1,198,789	1,198,789	1,228,679	1,228,679	-	-	1,228,679
440,347	440,347	441,917	441,917	-	-	441,917
236,874	212,094	212,094	212,094	14,844	6,578	220,360
9,615,030	9,606,372	9,763,045	9,858,687	54,627	-	9,913,314
13,540,948	10,571,448	27,188,526	27,345,075	131,329	-	27,476,404
2,590,519	2,590,519	2,558,390	2,558,390	-	-	2,558,390
262,111	7,526	7,526	2,063	-	-	2,063
141,386	229,901	241,227	286,219	95,473	2,811	378,881
324,360	324,360	324,360	316,254	-	-	316,254
36,434,406	39,060,112	41,152,282	46,322,477	1,497,040	-	47,819,517
23,400	11,271	11,271	11,271	-	-	11,271
771,213	791,145	540,170	540,170	-	-	540,170
650,617	488,703	493,628	357,140	83,805	6,884	434,061
25,145	25,145	25,145	31,935	-	-	31,935
346,036	181,449	316,499	329,565	70,794	19,747	380,612
153,840	139,837	139,837	154,760	33,333	14,650	173,443
312,295	285,173	291,273	247,049	48,644	41,815	253,878
13,127	13,127	13,127	5,344	-	-	5,344
67,797,628	66,894,503	85,666,181	90,966,274	2,029,889	92,485	92,903,679
7,520,341	15,359,296	-	548,193	11,319,615	-	11,867,808
\$ 75,317,969	\$ 82,253,799	\$ 85,666,181	\$ 91,514,467	\$ 13,349,504	\$ 92,485	\$ 104,771,487

Summary of Flows and Capacity

2001 - 2005



Combined Treatment Plant Capacity in 2005 was 4.8 MGD

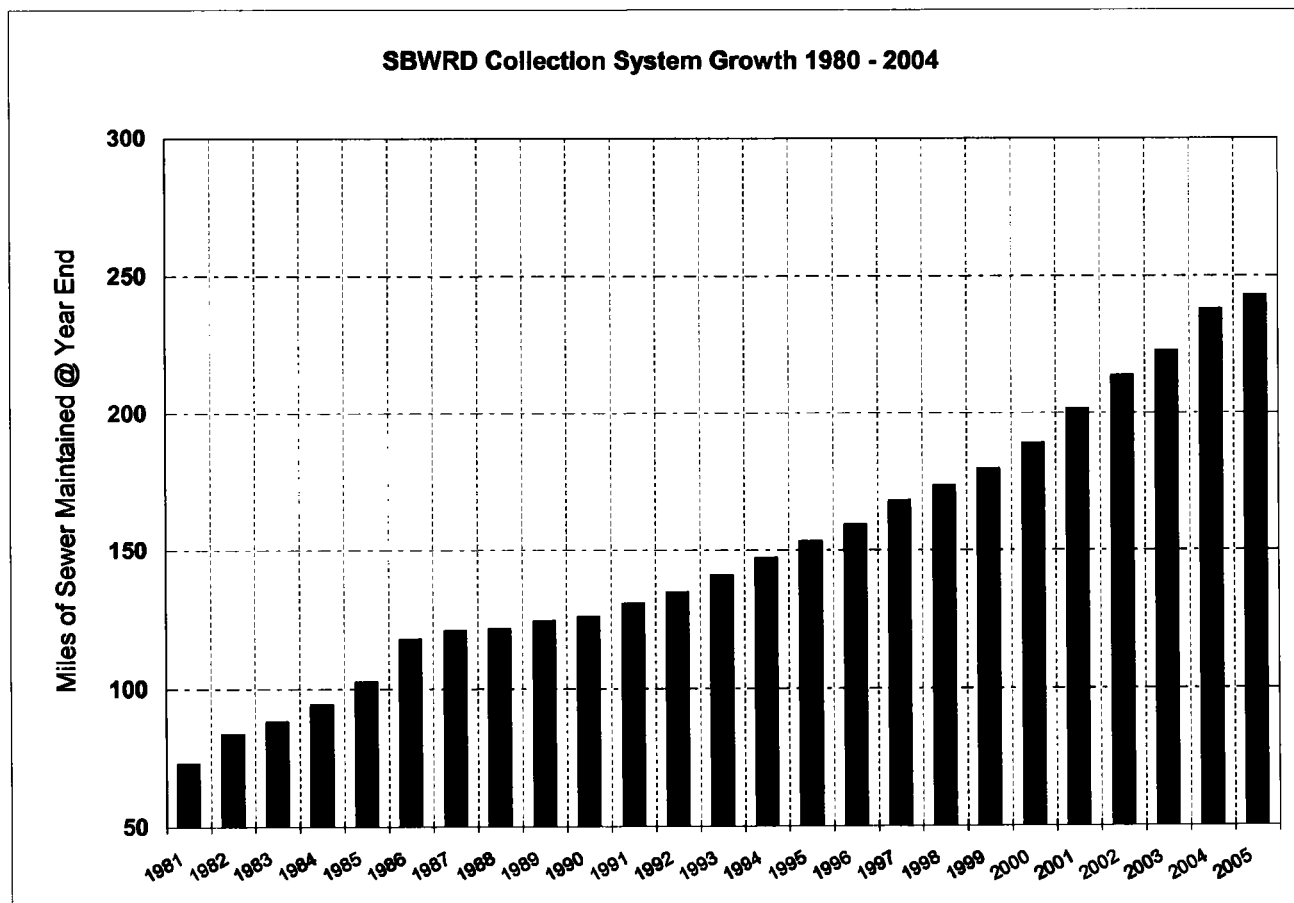
Collection System Growth

1980-2005

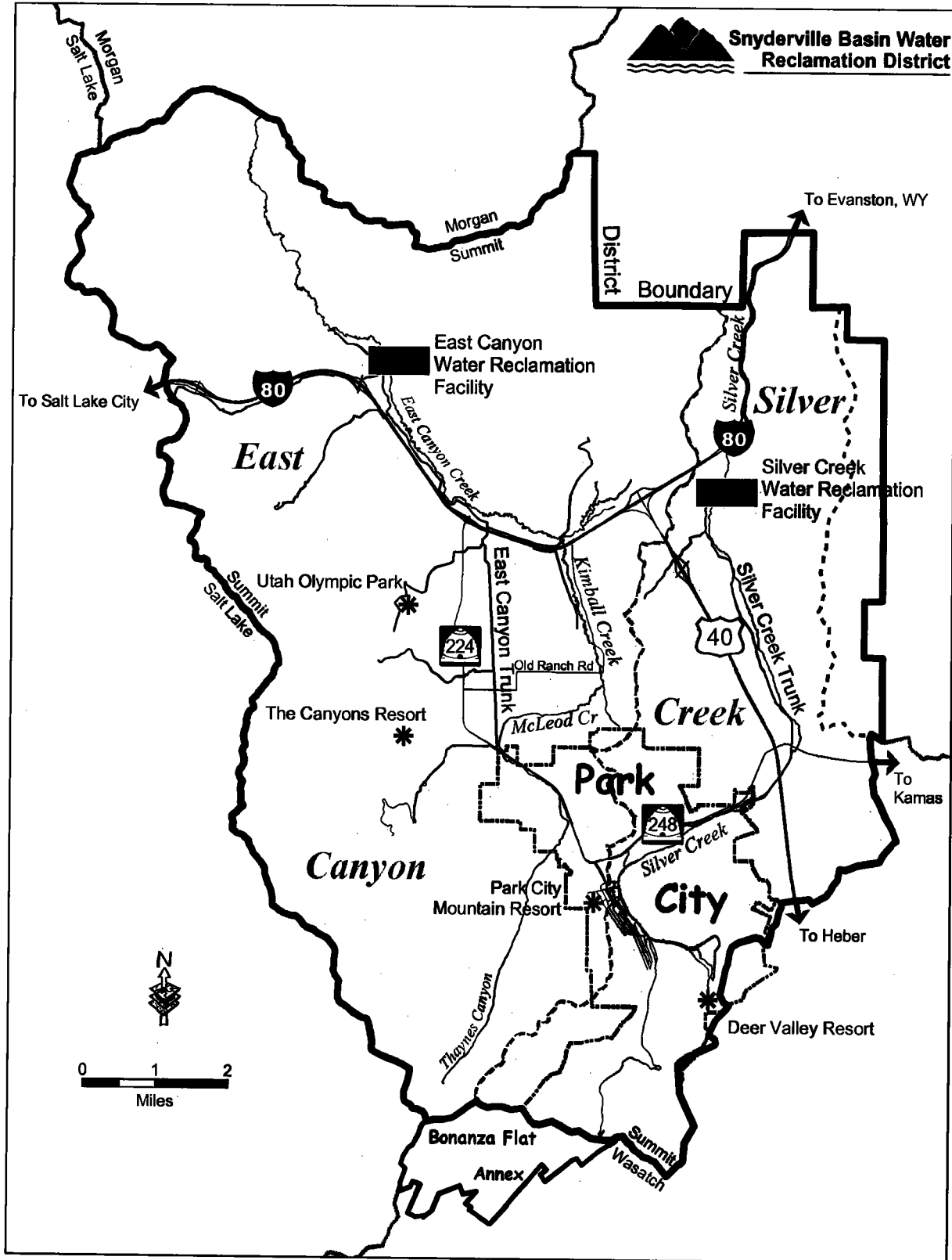
YEAR	ADDED SEWER LINE		Total miles of sewer maintained @ year end	Annual change from prior year (%)	New Manholes Added to system	Total Manholes in system @ year end	Annual Increase in Manholes (%)
	Feet	Miles					
1980	unknown		63.76		unknown	1,443	
1981	47,580	9.01	72.77	14.1%	186	1,629	12.9%
1982	57,213	10.84	83.61	14.9%	277	1,906	17.0%
1983	24,598	4.66	88.26	5.6%	112	2,018	5.9%
1984	31,797	6.02	94.29	6.8%	150	2,168	7.4%
1985	43,298	8.20	102.49	8.7%	236	2,404	10.9%
1986	81,444	15.43	117.91	15.1%	324	2,728	13.5%
1987	16,022	3.03	120.95	2.6%	95	2,823	3.5%
1988	3,432	0.65	121.60	0.5%	20	2,843	0.7%
1989	15,159	2.87	124.47	2.4%	77	2,920	2.7%
1990	7,146	1.35	125.82	1.1%	33	2,953	1.1%
1991	25,280	4.79	130.61	3.8%	152	3,105	5.1%
1992	22,017	4.17	134.78	3.2%	93	3,198	3.0%
1993	31,715	6.01	140.78	4.5%	154	3,352	4.8%
1994	33,153	6.28	147.06	4.5%	174	3,526	5.2%
1995	31,798	6.02	153.08	4.1%	225	3,751	6.4%
1996	32,241	6.11	159.19	4.0%	197	3,948	5.3%
1997	46,891	8.88	168.07	5.6%	322	4,270	8.2%
1998	27,918	5.29	173.36	3.1%	148	4,418	3.5%
1999	32,928	6.24	179.43	3.6%	208	4,626	4.7%
2000	48,996	9.28	188.71	5.2%	227	4,853	4.9%
2001	67,789	12.80	201.50	6.8%	268	5,121	5.5%
2002	63,755	12.07	213.57	6.0%	276	5,397	5.4%
2003	47,309	8.96	222.53	4.2%	204	5,601	3.8%
2004	81,048	15.35	237.88	6.9%	292	5,893	5.0%
2005	26,242	4.97	242.85	2.1%	114	6,007	1.9%

The above list reflects all Developer funded projects receiving Final Project Approval through date given and SBWRD projects in the same period.

Because of a discrepancy of 750' between 1980 and 1991, 750' was subtracted from the 1980 total



District Map



**Reports on Internal Control over
Financial Reporting and Compliance**

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Snyderville Basin Water Reclamation District

We have audited the accompanying basic financial statements of Snyderville Basin Water Reclamation District (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated April 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the board of trustees, and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

April 5, 2006

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
ON STATE LEGAL COMPLIANCE IN ACCORDANCE
WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

Board of Trustees
Snyderville Basin Water Reclamation District

We have audited the accompanying financial statements of Snyderville Basin Water Reclamation District (the District) for the year ended December 31, 2005, and have issued our report thereon dated April 5, 2006. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Impact Fees and Other Development Fees

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

This report is intended solely for the information of management, others within the organization, the board of trustees, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

April 5, 2006

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE WITH
BOND RESOLUTION**

Board of Trustees

Snyderville Basin Water Reclamation District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Snyderville Basin Water Reclamation District (the District) as of and for the year ended December 31, 2005 and have issued our report thereon dated April 5, 2006.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the terms, covenants, provisions, or conditions of Article 6 of Resolution No. 53 dated November 22, 1993 providing for the Issuance of Sewer Revenue Bonds insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Snyderville Basin Water Reclamation District and Wells Fargo Bank as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

April 5, 2006

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
ON SCHEDULE OF NET REVENUES AND
AGGREGATE DEBT SERVICE**

Board of Trustees

Snyderville Basin Water Reclamation District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Snyderville Basin Water Reclamation District (the District) as of and for the year ended December 31, 2005, and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of net revenues and aggregate debt service is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Section 6.12 (as the terms, "net revenues", "net revenues exclusive of system capacity fees," and "aggregate debt service" are defined in Resolution No. 53) of Resolution No. 53 dated November 22, 1993 Providing for the Issuance of Sewer Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Snyderville Basin Water Reclamation District and Wells Fargo Bank as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

April 5, 2006

Snyderville Basin Water Reclamation District

SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE

Year ended December 31, 2005

Net revenues	
Operating revenues	\$5,997,997
Operating expenses (excluding depreciation and amortization)	(4,706,816)
Impact fees	5,569,334
Investment income	480,541
Net revenues	<u>\$7,341,056</u>
Net revenues excluding impact fees	
Net revenues	\$7,341,056
Impact fees	(5,569,334)
Net revenues excluding impact fees	<u>\$1,771,722</u>
Aggregate debt service for 2006*	<u>\$ 838,090</u>
Ratio of net revenues to aggregate debt service	<u>5.95</u>
Minimum ratio	<u>1.25</u>
Ratio of net revenues excluding impact fees to aggregate debt service	<u>1.78</u>
Minimum ratio	<u>1.00</u>

*Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District. It does not include any general obligation bonds or other contracts which obligate the District to disburse funds. Aggregate debt service for 2006 related to revenue bonds is as follows:

	Principal	Interest	Total Debt Service
1994 Series Revenue Bonds	\$125,000	\$ -	\$ 125,000
2000 Series Revenue Bonds	406,000	50,642	456,642
2003 Series Revenue Bonds	361,000	50,750	411,750
	<u>\$892,000</u>	<u>\$101,392</u>	<u>\$993,392</u>

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
ON SCHEDULE OF INSURANCE
POLICIES IN FORCE**

Board of Trustees

Snyderville Basin Water Reclamation District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Snyderville Basin Water Reclamation District (the District) as of and for the year ended December 31, 2005 and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of insurance policies in force at December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Section 6.10 of Resolution No. 53 dated November 22, 1993 Providing for the Issuance of Sewer Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Snyderville Basin Water Reclamation District and Wells Fargo Bank as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

April 5, 2006

Snyderville Basin Water Reclamation District

SCHEDULE OF INSURANCE POLICIES IN FORCE

December 31, 2005

Description	Issuer	Limit	Expiration Date
Comprehensive General Liability (including Public Officials Errors and Omissions)	Utah Local Governments Trust	\$ 5,000,000	Continuous
Auto Liability	Utah Local Governments Trust	5,000,000	Continuous
Excess Liability Coverage	NLC Mutual	2,000,000	August 15, 2006
Property Coverage			
Accidental Electrical Mechanical Breakdown	Unigard Insurance Company		July 1, 2006
Business Interruption	Unigard Insurance Company	250,000	July 1, 2006
Sewer Water Buildings	Unigard Insurance Company	29,693,710	July 1, 2006
Contents	Unigard Insurance Company	7,593,100	July 1, 2006
Contractors Equipment	Unigard Insurance Company	173,275	July 1, 2006
Mobile Equipment	Unigard Insurance Company	50,000	July 1, 2006
EDP	Unigard Insurance Company	253,275	July 1, 2006
Miscellaneous Equipment	Unigard Insurance Company	30,000	July 1, 2006
Auto PD Coverage	Unigard Insurance Company	894,322	July 1, 2006
Treasurer's Bond	Western Surety	500,000	August 15, 2006

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
ON SCHEDULE OF SEWER
CONNECTIONS AND BILLINGS**

Board of Trustees
Snyderville Basin Water Reclamation District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Snyderville Basin Water Reclamation District as of and for the year ended December 31, 2005 and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of sewer connections and billings as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and the Board of Trustees of Snyderville Basin Water Reclamation District and Wells Fargo Bank as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler LLC

April 5, 2006

Snyderville Basin Water Reclamation District

SCHEDULE OF SEWER CONNECTIONS AND BILLINGS

December 31, 2005

Customer Class	Number of Connections by Residential Equivalent	Total Amount Billed Year ended December 31, 2005	Average Monthly Billing per Customer
Commercial	2,150.6	\$ 825,881	\$ 150
Industrial	32.9	24,868	230
Single family residential	8,971.0	2,835,261	26
Multiple family residential	4,968.0	1,413,866	313
Mixed use and common areas	1,267.9	432,429	1,069
Total	<u>17,390.4</u>	5,532,305	
Adjustments		<u>17,378</u>	
		<u>\$5,514,927</u>	

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
ON SCHEDULE OF FUNDS REQUIRED
BY BOND RESOLUTION**

Board of Trustees

Snyderville Basin Water Reclamation District

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Snyderville Basin Water Reclamation District (the District) as of and for the year ended December 31, 2005 and have issued our report thereon which appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of funds required by bond resolution as of December 31, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the District had failed to comply with the terms, covenants, provisions, or conditions of Article 5 of Resolution No. 53 dated November 22, 1993 providing for the Issuance of Sewer Revenue Bonds. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the Board of Trustees of Snyderville Basin Water Reclamation District and Wells Fargo Bank as bond trustee, and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

April 5, 2006